U.S. Department of State
FY 2000 Country Commercial Guide: Korea

The Country Commercial Guides for Korea and was prepared by U.S. Embassy Seoul and released by the Bureau of Economic and Business in July 1999 for Fiscal Year 2000.

TABLE OF CONTENTS

CHAPTER I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at the Republic of Korea's commercial environment through economic, political and market analysis. The CCG's were established by the recommendation of the Trade Promotion Coordinating committee (TPCC), a multi-agency task force, to consolidate various responding documents prepared for the U.S. business community. Country Commercial Guide are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

Korea is one of the United States' biggest trading partners. Currently, it is our sixth largest export market, bigger than those of Australia, Brazil, China, France, or Italy. Imports to Korea are bouncing back and are expected to show double-digit growth in the months ahead. It would be a mistake for corporate America to become complacent about this market. This huge export opportunity has not gone unnoticed by our EU and Asia-Pacific competitors. Their direct investments in Korea are growing quickly, and Queen Elizabeth recently led a British trade mission to Korea, a persuasive indication of opportunities in the Korean market. At the same time, Korea also has been described as one of the toughest markets in the world for doing business, a place where firms must do their homework and take nothing for granted. A thorough read of this 2000 Country Commercial Guide (CCG) for Korea will go along way toward helping U.S. companies realize success in this exciting and dynamic market.

On the macro and microeconomic front, and in response to the Asian financial crisis, the Kim Dae Jung administration is implementing structural reforms aimed at putting the Korean economy on a more open, market-oriented basis. Many of these reforms are paying off. The rebound in real GDP for the first quarter showed a 4.6% increase from a year earlier and was led by very strong private consumption. Capital inflows and a growing current account surplus will push reserves over their present level of $ 58 million, and the Bank of Korea (BOK) recently revised its GDP forecast for 1999 to 6.8% over its earlier forecast of 3.8%. BOK has noted that the amount of cash in the hands of the public jumped to a 14-month high in April. Koreans are spending more. Large-sized freezers and TVs are selling briskly, while up-scale family restaurants are bustling with customers. Buyers of popular passenger car models need to wait a month or more for delivery, contrasting sharply to the stagnant inventory of a few months ago. The sharp spike in department store sales has been dramatic, with turnover at Seoul's eight major department stores up 29% year-on-year. It is clear that the Korean consumer is showing renewed confidence and optimism.

However, with the rapid improvement in the Korean economy, there are many within Korea that now believe continued reform and quick restructuring is no longer necessary. The recent increase in the Korean stock market has led some companies to believe that they no longer need to induce foreign capital. Many of the previously announced, large-scale M&A deals involving foreign interests have fallen through or continue to be delayed, casting doubt on Korea's commitment to transparency and accepted international business practices.

The U.S. Government has initiated WTO dispute settlement action on Korea's barriers to the import and distribution of beef, and on Korea's failure to meet its obligations under the WTO government Procurement Agreement. The U.S. has also raised serious concerns about the trade-impeding effects of Korea's treatment of foreign, research-based pharmaceuticals and the consistency of this treatment with Korea's international obligations. Long-standing concerns about the Korean government's involvement and support for the Korean steel industry have also been raised. President Kim's government has stated its intention to address these concerns, and progress has been made. The United States and Korea now are engaged in a results-oriented comprehensive dialogue on broader U.S. steel-related concerns, as well as implementation of the Memorandum of Understanding on trade in motor vehicles signed with the U.S. in October of 1998. Both countries have been also working hard to conclude a Bilateral Investment Treaty.

Despite some of the challenges described above, there are many outstanding possibilities for U.S. goods and service providers, and we have described these possibilities in Chapter V (Best Prospects) of the CCG. New opportunities continue to abound. For instance, Korean electronic commerce is expected to double annually for the next five years. With the expansion of demand, imports from the U.S. for semiconductor equipment are estimated to grow at an average annual rate of 32% -- from $ 405m in 1998 -- to $ 931.5m by 2001. The Korean state-owned energy sector (power generation, oil and gas) is being privatized and is providing great opportunities for U.S. energy companies. The Korean government is spending $11b in 1999 on infrastructure projects (airports, roads, railways, mega-resorts) and is seeking U.S. architectural and engineering expertise.

In sum, we believe that Korea is undergoing a fundamental and revolutionary period of change. While barriers remain, what is clear is that Korea is gradually evolving into a more competitive, more transparent, more user-friendly business environment, and we urge serious U.S. firms not to underestimate the strategic importance of being active in this key market.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at HTTP://WWW.STAT-USA.GOV and HTTP://WWW.STATE/GOV. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

CHAPTER II. ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

In November 1997, Korea followed Thailand and Indonesia in suffering a loss of international confidence, resulting in a severe foreign exchange liquidity crisis. The Korean won lost over 50% of its value against the dollar by the end of 1997, dropping to nearly 1,700 won per dollar, and Korea's foreign currency reserves dropped to dangerously low levels. In December 1997, Korea signed an enhanced $58 billion IMF package, including loans from the IMF, World Bank, and the Asia Development Bank. Under the terms of the IMF program, Korea agreed to accelerate the opening of its financial and equity markets to foreign investment and to reform and restructure its financial and corporate sectors to increase transparency, accountability and efficiency. Korea's usable foreign currency reserves subsequently grew to $60.4 billion by July 1999, and the won appreciated to around 1,160/dollar. Since his election in December 1997, President Kim Dae Jung has stressed the need to attract foreign investment and to reduce barriers to both investment and trade. The reforms enacted and/or proposed by Korea are expected to accelerate the evolution of Korea's financial and corporate sectors away from the previous state-directed model towards a free-market, commercial basis.

Korea's GDP shrank 5.8% in real terms in 1998, the worst performance since the Korean War. Unemployment rose steadily to peak at over 8% in early 1999, with nearly 1.8 million people unemployed, another half-million working less than 18 hours/week, and the employed population falling 1.5%. Compensation levels dropped significantly for many people who remained employed. Corporate investment in facilities and capital fell almost 40% in the first four months of 1998, and consumption fell 8.2%. Merchandise exports fell 2.2% in 1998 due to weak demand in Asian economies, a cutback in financing for trade and operations, and restructuring and bankruptcies among exporters. Merchandise imports fell 35.5% due to plunging domestic consumption and investment in 1998. Korea ran a trade surplus of $39 billion in 1998, and a current account surplus of $40 billion.

The Korean economy is rebounding more quickly than expected in 1999, with GDP expected to rise 5%-6% based on increasing domestic consumption and investment. Unemployment began to decline in March 1999, and while most of the decline was due to seasonal factors involving construction and agriculture, seasonally adjusted unemployment also declined slightly to 6.4% in May. The number of newly-established firms rose steadily each month in 1999, exceeding the number of bankrupt firms by a factor of 10 or more. Wages and income also showed some recovery in the first four months of 1999. Merchandise exports are expected to show little if any growth, but imports are expected to rise over 20%. There are concerns that Korea may not be able to sustain robust growth after 1999 unless it continues to implement effective reforms in its financial, corporate, government and labor sectors.

All percent changes cited in this report are comparisons with the same period in the previous year (year on year, or YOY) unless otherwise specified.

Consumption

Expenditures on domestic consumption, which accounted for 62% of total GDP, fell 8.2% in 1998. Faced with numerous corporate bankruptcies, rising unemployment, the decline in real household income, and consumer uncertainty, total private consumption dropped 9.6%, while government consumption fell 0.1% in 1998. The National Statistics Office reported that the income of urban workers, adjusted for inflation, fell 13.4% in 1998 and that adjusted urban household consumption expenditures fell 17.3%. Total retail and whole sale sales fell 12.7%, and sales of consumer goods, both durable and non-durable, fell even more sharply. However, total sales rose 6.1% in the first quarter of 1999, and sales of consumer goods also rose, driven by pent-up demand and rising income. The Bank of Korea recently predicted that private consumption would rise 6.4% in 1999.

Investment

Enormous capital investments made in the 1990s created over-capacity in many industries, so investment dropped sharply in 1998. Investment in fixed capital fell by 2.2% in 1997, and by 21.1% in 1998. Construction investment expenditures fell 10.2% in 1998, and domestic machine orders fell 38.5%. Industrial production fell by 7.3% in 1998. The average factory operating rate fell from 80% in 1997 to about 68.1% in 1998, but rose back to 71.3% in the first quarter of 1999. Compared with the low levels experienced in 1998, investments aimed at maintaining or improving efficiency at existing plant are expected to raise some investment indicators. Facility investment rose 10.9% in the first quarter of 1999 and domestic machine orders rose 16.9%, but construction investment expenditures fell 13.7%. The Bank of Korea recently forecasted that corporate investments would rise 22.5% in 1999, after falling 38.5% in 1998.

Exports

On a customs-cleared basis, Korea's merchandise exports grew 5% in 1997 to reach $136.2 billion, but then fell 2.8% to 132.3 billion in 1998. Although the won/$ exchange rate fell from an average of 951 in 1997 to about 1,400 in 1998, export growth was limited by competition from Asian exporters and slow or negative growth in Asian export markets. The U.S. was Korea's leading market, followed by the E.U. and Japan. Korea was the U.S.' eighth largest source of imports in 1998. Korea's exports to the U.S. were $22.8 billion (up 5.5%) in 1998. Korea's exports to Asia dropped 16% in 1998 to $57.5 billion. Asia took 50.3% of Korea's exports in 1998, but that proportion decreased to 43.5% as exports were redirected to the growing U.S. and E.U. economies in 1998. In the first four months of 1999, Korean exports fell 5.4% to $41.9 billion. Exports to the U.S. the E.U. and Japan rose 13.3%, 3.7%, and 5.1% respectively, but exports to Asia fell 1.3%.

Korea is one of the world's leading producers of both 16 megabyte memory chips and 64 megabyte chips, and semiconductors accounted for 12.9% of Korea's total 1998 exports, up slightly from the 1997 share of 12.7%. However, falling prices caused Korea's semiconductor exports to decline 2.4% to $17 billion in 1998. In 1998, steel exports rose 11.9% to $8 billion, and textile exports rose 6.8% to $5.4 billion. All other export products showed declines in 1998, with vehicle exports falling 6.9% to $9.9 billion.

Korea's exports in the first half of 1999 fell 1.1% to $66.3 billion, but May and June exports were above 1998 levels. Although interest rates have come down, and financing is available for operations and trade, exports are expected to show little if any growth in 1999 due to the appreciation of the won and slow growth in economies outside the U.S. and Europe.

Imports

Korea's imports dropped 35.5% in 1998 to $93.3 billion, as interest rates rose, financing became hard to find, companies cut their investments and imports of capital equipment, importers went bankrupt, and consumers reduced their spending. However, the decline in world commodity prices, especially oil, also cut Korea's import bills. Imports in the first half of 1999 rose 15.1% to $54.3 billion, and the bank of Korea estimated that imports would rise 21.7% in 1999 to about $113. The U.S. is the leading source of Korea's imports, followed by Japan and the E.U. Although U.S. exports to Korea fell 34.2% in 1998 to $24.3 billion, Korea was the U.S.' ninth largest export market in 1998. U.S. exports to Korea in the first four months of 1999 rose 41.9% to $6.7 billion.

Korean imports for calendar year 1998 and first quarter 1999 and year-on-year percent change. Imports on CIF basis, in US$ billions.

	1998	Change	1/4 1999	Change
Total Imports	93.2	-35.5	25.6	8.1
Crude Petroleum	11.2	-36.7	3.8	-20.1
Semiconductors & Parts	12.2	-4.9	2.1	26.1
Chemicals & Products	7.9	-30.3	1.0	4.0
Iron & Steel Products	3.3	-46.9	2.7	-0.8
Machinery & Equipment	10.5	-48.6	6.8	-1.0
Electric & Electronic Machinery	21.6	-24.5	4.5	25.2
Cereals	2.5	-18.7	0.5	-19.7

Inflation

In 1997, Korea's Producer Price Index (PPI) rose 3.9% and Consumer Price Index (CPI) rose only 4.5%. The won fell 50% against the dollar in 1998, but the decline in both real and nominal compensation for workers, the weakness in domestic demand, and reduced world commodity prices all worked to constrain inflation. In 1998, the PPI rose 12.2% and the CPI only 7.5%. In 1999, consumer prices are expected to rise less than 2%.

Prices & Wages (annual percent change)

	Consumer Prices	Producer Prices	Mfg. Wages
1980-89(average)	8.4	6.9	15.3
1994	6.2	2.8	15.5
1995	4.5	4.7	9.9
1996	5.0	2.7	12.2
1997	4.5	3.8	7.0
1998	7.5	12.2	-2.5

Sources: KDI; Bank of Korea; Embassy estimates

Principal Growth Sectors

Gross Domestic Product fell 5.8% in real terms in 1998, the worst performance since the Korean War. GDP is expected to increase 5%-6% in 1999 as the economy rebounds from last year's recession. Growth in the first four months has been uneven across sectors, with semiconductors, autos, computers, shipbuilding and telecommunications leading the improvement, and other sectors remaining in the doldrums. With exports weak and investment sluggish, Korea must rely mainly on rising domestic consumption to fuel growth.

South Korea - Year-to Year Percentage Change in Major Economic Indicators by Kind of Economic Activity, in 1995 constant Prices, (1998 and 1999 figures provisional) and sectoral share of GDP.

	1997 1/4	1998 1/4	1998 Annual	Share of 1998 GDP	1999 1/4
Gross Domestic Product (GDP)	5.7	-3.8	-5.8	-	4.6
Industries	6.1	-2.7	-5.3	(92.6)	4.8
Agriculture, Forestry & Fisheries	4.8	4.4	-6.3	(5.9)	-7.6
Mining	0.9	-18.3	-22.9	(0.3)	-8.8
Manufacturing	5.7	-6.4	-7.2	(29.3)	10.7
- Light Industry	-2.8	-12.2	-11.7		-0.2
- Heavy Industry	8.1	-5.0	-5.9		13.8
Electricity, Gas & Water	9.9	9.6	-0.5	(2.5)	3.4
Construction	-0.9	-7.6	-9.0	(10.5)	-15.1
Wholesale/Retail Trade, Restaurants & Hotels	5.3	-5.0	-7.7	(12.2)	5.8
Transport, Storage & Communications	14.0	7.2	1.5	(7.9)	12.8
Finance, Insurance, Real Estate & Business Services	8.1	0.8	-1.0	(19.2)	2.1
Exports of Goods, Services	15.2	25.7	13.3	-	12.4
Imports of Goods, Services	8.8	-27.2	-22.0	-	27.5
Gross National Income (GNI)	5.6	-6.8	-7.9	-	-1.7

Note: Exports are on a free-on-board (FOB) basis, while imports are on a cost, insurance and freight (CIF) basis.

South Korea - Year-to Year Percentage Change in Major Economic Indicators by Expenditure, in 1990 Constant Prices. (1998 and 1999 figures provisional)

	1997 1/4	1998 1/4	1998 Annual	1999 1/4
Final Consumption Expenditure	4.5	-9.5	-8.2	5.0
Private	4.4	-10.5	-9.6	6.3
Government	4.6	-4.3	-0.1	-2.2
Gross Fixed Capital Formation	2.0	-23.0	-38.7	-4.3
Construction	2.5	-7.7	-10.2	-15.1
Machinery & Equipment	-0.2	-40.7	-38.5	-3.9

Combined output from the Agriculture/Forestry/Fishery sector shrank 6.3% in 1998, and accounted for 5.9% of GDP. Mining output declined 22.9% in 1998, and fell a further 8.8% in the first quarter of 1999. The energy (electricity, gas and water) sector shrank 0.5% in 1998 as the recession caused energy consumption to fall sharply. The energy sector grew 3.4% in the first quarter of 1999, reflecting the economic recovery.

The manufacturing sector's output fell 7.2% in 1998, a huge drop from the 6.2% growth in 1997. Manufacturing accounted for 29.3% of Korea's GDP in 1997. Heavy industrial output was less affected, falling 5.9% in 1998, while output from light industry fell 11.7%, as many small and medium sized firms went bankrupt. Among heavy industries in 1998, the electrical and electronic machinery sector, which includes semi-conductors, grew the most, at 12.8%. Production in all other heavy industry sectors declined in 1998, with the industrial machine sector plunging 46.5%. Among light industries in 1998, shoes, leather, and textiles shrank the most, while food and beverage production only fell slightly.

Although still well below 1997 levels, the economy showed definite signs of rebounding in 1999. In the first quarter of 1999, heavy industrial output grew 13.8%, while the decline in light industrial output slowed to –0.2%. The electrical and electronic machinery sector grew by 29.5%, and chemicals grew 5.3%, due largely to exports of semi-conductors and petrochemicals. Production in all other heavy industrial sectors rose in the first quarter, except for machinery and non-ferrous metals.

Construction fell 9% in 1998 due to the recession and the ensuing decline in both private housing and corporate investment. In 1998, government and private construction orders fell 3.3% and 11.2%. To stimulate the economy and create jobs the government, supported by the IMF, decided to run a 5% budget deficit to finance workfare and infrastructure construction projects. In the first quarter of 1999, construction shrank 15.1%. In the first quarter of 1999, private construction fell 15.1% and public construction by 26.4%. The government may also try to attract foreign firms to invest in infrastructure projects by offering more options to own, operate or transfer projects and more tax incentives, while removing restrictions on financing and imports.

The private service sectors all grew by rates close to or higher than the GDP's 5.5% in 1997. Wholesale and retail trade, restaurant and hotel services (consumer services) grew most slowly at 5%, affected by weak consumer demand. Transportation, storage and communications services (TSC) grew most quickly at 15.2%, with telecommunications being the most active sector. In the first quarter of 1998, the sharp drop in consumer spending caused the consumer services sector to drop 5%, as Koreans cut back on shopping and eating out. TSC services grew an impressive 9% in the first quarter of 1999, based on strong performance in telecommunications.

Government Role In The Economy

The Korean government's overall macroeconomic policy has traditionally been conservative. Government spending and taxes as a share of GNP are quite low by international standards, averaging about 21%-22% over the last few years. Before the crisis, the total central government budget was virtually balanced for several years. Moreover, the quality of public expenditure is high, with an emphasis on education and public works rather than on transfer payments. In 1998, the government, with the support and encouragement of the IMF and World Bank, increased its spending 13.1% to stimulate the economy, raising its share of GDP up to 24.5%, and running a fiscal deficit of about 5% of GDP. The quicker than expected recovery should boost tax revenues and may allow the government to return to a balanced budget more quickly than the current goal of FY 2006.

At the microeconomic level, past government intervention has been extensive and costly in terms of economic efficiency. Financial capital was and continues to be expensive, due in part to large non-performing portfolios saddled on banks during the highly interventionist 1970-1989 period, to governmental controls on credit (allocated largely by firm size), and to the overall lack of competition and other rigidities in the financial system. Overseas capital transactions were tightly controlled. Investment and product safety regulations inhibited domestic competition across all sectors and often discriminated against foreigners, denying the best products to Korean consumers.

Under the terms of the agreement signed with the IMF, Korea opened up its financial and most of its corporate sectors to foreign investment, and reduced or removed controls on overseas capital transactions. President Kim Dae Jung's administration has stressed the role of markets over the government. The policies described in the investment climate section of this report describe how the government is striving to put the economy and Korean companies on a market-driven commercial footing.

The Korean government itself plays a direct role in the economy through a total of 108 non-financial public enterprises which account for 6% to 8% of GNP. The government is planning to privatize and sell off many of these enterprises, both to raise funds and to reduce the government's economic role. Although details remain to be worked out, the government has announced it will allow private and foreign investors to buy a varying proportion of shares (up to 100% in some cases) of these companies.

Balance Of Payments Situation

Korea ran current account (CA) deficit $8.6 billion in 1997, but a 35.5% drop in imports in 1998 helped generate a $40 billion surplus in 1998. The 1999 current account surplus is expected to be about $20 billion, reduced by rising imports.

The deficit on the capital account deteriorated, from a $1.3 billion surplus in 1997, to a deficit of $4 billion in 1998. Investment outflow fell 13.1 % in 1998, as Korean conglomerates sold their stakes in foreign firms in 1998 to raise cash and reduce their debt/equity levels. However, the capital account showed surpluses in four of the first five months of 1999, creating a surplus of $2 billion.

Gross foreign indebtedness amounted to $158.1 billion at the end of 1997 and $152.6 billion at the end of 1998, while net foreign debts were $52.7 billion and $19.6 billion. At the end of May 1999, gross foreign debt was down to $142.8 billion, and net foreign debt fell to only $5.1 billion. Korea's useable foreign exchange reserves exceeded $60 billion in July 1999.

The Korean won ended 1996 at 844.2 won/$, and the average rate was 806.9 won/$. The won closed at 1,695.8 on December 31, 1997, and the average exchange rate in 1997 was 951.1 won/$. The won appreciated slowly in 1998, with the average exchange rate rising to 1,399 won/$. In 1999, the won appreciated due to an oversupply of dollars generated by foreign investment and trade surpluses, and the rate is expected to hover between 1,150-1,200 won/$ in 1999.

Balance of Payments, in US$ billions
(Bank of Korea, Korea Institute of Finance, Korea Development Institute

	1996	1997	1998	1/4 1999
Current Balance	-23.0	-8.2	40.0	6.8
- Trade in Goods	-15.0	-3.2	41.2	7.1
-- Exports FOB	130.0	136.2	132.3	30.3
-- Imports FOB	144.9	144.8	93.3	25.6
- Trade in Services	-6.2	-3.2	0.4	-0.1
- Net Transfers & Income	-1.8	-1.8	-1.5	-0.2

	1996	1997	1998	1/4 1999
Capital Account	23.3	1.3	-4.0	1.5
- Direct Investment	-2.3	-1.6	0.4	0.3
- Portfolio Investment	15.2	14.3	-2.0	0.5
- Other Investment	11.1	-10.8	-2.6	0.7
Errors and Omissions	1.1	-5.1	-5.1	-1.9
Changes in Foreign Exchange Reserves*	-1.4	11.9	-31.0	-6.3
Foreign Reserves	33.3	20.4	52.0	57.1

(* Negative numbers denote an increase in reserves.)

Infrastructure Situation

Korea has excellent infrastructure in the transportation and high-tech areas. Despite the heavy traffic, Korea has an extensive road infrastructure system with several major highway arteries going North to South as well as West to East of the peninsula. Korea also has an extensive subway system in Seoul with a train and bus system in place that reaches to the far reaches of the country. In addition, Korea has domestic airports in the largest cities and the island of Cheju with the largest international airport located in Seoul, and another international airport in the planning stages in Inchon.

Korea has an excellent information and communications infrastructure. The Korean government and private sectors continue to vigorously expand and improve upon this infrastructure in order to develop a leading information- and knowledge-driven economy. This information infrastructure development effort, called "Cyber Korea 21," includes significant monetary commitments by the Korean government, and the results should benefit U.S. firms that choose to do business in Korea.

With the end of the 20th century approaching, the Korean government and industry have focussed increasing attention on the year 2000 (Y2K) problem, which will affect both computer systems and non-computer systems that are reliant upon embedded microprocessors. Academia, the Korean and U.S. governments, and the private-sector have held a number of Y2K conferences, and newspapers regularly report on the problem and progress made. The Ministry of Information and Communications, which leads the interagency Korean Y2K Taskforce, launched a highly-publicized national campaign in late May designed to increase public awareness of the problem and government assistance available. Government services include low-interest loans as well as free consulting services to help small and medium enterprises assess and remediate Y2K-related problems. Of the mission-critical sectors identified by the Korean government, those furthest along in establishing Y2K readiness include banking and finance, electricity and energy, and industrial facilities. Telecommunications and transportation are reasonably prepared. Sectors that are of considerable concern include environmental, shipping and ports, water resources, and medical services. As is the case in many countries, small and medium enterprises are furthest behind in Y2K readiness.

CHAPTER III. POLITICAL ENVIRONMENT

Nature of Political Relationship with the U.S.A.

The ROK has witnessed a sweeping political transformation over the past decade. Korea's democratization is now deeply entrenched. The last three presidential elections have been free, open and fair. In 1992, Koreans elected Kim Young-Sam, the first president in over thirty years without a military background. In 1997, Koreans voted for opposition leader Kim Dae-Jung, the first transfer of power to the opposition since Korean independence. On a political level, the U.S-ROK relationship has matured into a close bilateral relationship; the two countries are friends, partners and allies. Korea and the United States share common democratic values and practices and are working together, both in the region and in the rest of the world, to advance democratization and human rights.

The United States has a strong security relationship with Korea and is committed to maintaining peace and stability on the Korean Peninsula. The United States is obligated under the 1954 U.S.-Korea Mutual Defense Treaty to help Korea defend itself from external aggression. In support of that commitment, the United States maintains about 37,000 uniformed men and women in the country, commanded by a U.S. four-star general who is also commander of the United Nations forces, including the Second Infantry Division and air force squadrons.

Major Political Issues Affecting the Business Climate

Kim Dae-Jung's victory in the December 1997 presidential election has had wide ranging implications for the business climate. President Kim was elected at the height of the financial crisis. He promised sweeping economic and political reform, transparency in business practices, and further liberalization in trade and investment. Already, President Kim has achieved much, including legislative changes to promote labor flexibility, corporate transparency, and capital market liberalization.

Over the short-term, President Kim's ability to deepen and consolidate economic reform will depend to a large extent on the support of labor and the National Assembly. On the labor front, despite an increase in unemployment to over 8 percent, President Kim has been successful in avoiding a major clash between his government and labor. Although there are some signs that labor is showing increasing resentment towards the Kim administration's policies, labor leadership has so far failed to generate support both from the public and in the unions' rank and file for a strong stand against the government. On the political front, President Kim's coalition government enjoys a majority in the National Assembly, which has made passage of legislation easier for the Kim administration. However, ongoing clashes between the ruling coalition and the opposition Grand National Party have made bipartisan passage of legislation difficult and led to boycotts of legislative sessions by members of the opposition.

A number of developments regarding North Korea could also affect the business climate. At his inauguration, President Kim laid out three principles for his policy toward the North: no tolerance of armed provocation; no intention to absorb the North; and mutual reconciliation and cooperation where possible, especially in the area of economic relations. Characterizing this policy as his engagement policy, President Kim has shown a willingness to encourage cooperation with the North, both in economic and political issues. One recent example of President Kim's policy to give free rein to South Korean businesses was Hyundai founder Chung Ju-Yong's visit to North Korea through Panmunjom, the first crossing of the DMZ by a South Korean businessman. Chung's visit resulted in tourist cruise ships being allowed to visit the Kumgang Mountain area of North Korea, the most significant business development to date between the two Koreas.

Brief Synopsis of the Political System, Schedule for Elections and Orientation of Major Political Parties

Korea is governed by a directly elected President and a unicameral National Assembly that is selected by both direct (90 percent) and proportional (10 percent) elections. The president serves a single five-year term. National Assembly legislators are elected every four years.

Kim Dae-Jung was elected president in the last presidential election, which was held in December 1997. The last National Assembly elections were held in April 1996, and the last regional elections, which select mayors, governors and other local government officials, were held in June 1998. The next presidential election will be in 2002, and the next National Assembly election will be in April 2000.

As of mid-June, the opposition Grand National Party (GNP) had 135 seats in the 299-person National Assembly, followed by President Kim's National Coalition for New Politics (NCNP) with 105 seats, and Prime Minister Kim Jong-Pil's United Liberal Democrats (ULD) with 55 seats. 4 seats were held by independents.

CHAPTER IV. MARKETING U.S. PRODUCTS AND SERVICES

Distribution and Sales Channels

Local representation is essential for foreign firms hoping to be successful in the Korean market. This is especially true in a market in which business relationships are built upon personal ties and valuable introductions, and in which much of the major third-country competition is only a few flight-hours away. In addition, in sectors related to any type of government procurement, only an entity registered with the Korean government, by law, has the ability to bid on procurement projects. Hence, a majority of American firms enter into a consortium with a Korean company or enter into a representative agreement, especially for the purposes of market entry. Finally, the Korean language barrier and established tight social/ business inner circles make it extremely difficult to enter the Korean market without a qualified Korean representative.

Distribution methods and the number and functions of intermediaries vary widely by product area and local conditions. The market for most consumer products is concentrated in major cities. Retail distribution is accomplished through a highly complex network, the majority of which are small family-run stores, stalls in markets or street vendors, though this traditional distribution method is changing. There are many large retail department stores in the major cities, especially Seoul, Taejon and Pusan, and their outer-lying suburbs. This distribution channel is one of the best ways to market foreign products to Korean consumers. Just recently, retailing concepts such as general merchandising, shopping centers and high-volume discount stores ("hypermarkets") such as Price Costco (USA), Makro (Wal-Mart, USA), Carrefour (France), and Kim's Club (Korea) have gained tremendous popularity in Korea. Rapid expansion of these discount store chains are planned nation-wide, with suburban satellite cities attracting the greatest number of stores.

Hypermarket stores, in the past, experienced difficulty with parallel imports into the Korean market due to previous regulations that had the original intent of ensuring trademark protection by blocking counterfeit products from entering into the Korean market. In November 1995, however, regulations from the Korean Ministry of Finance and Economy (MFE) took effect which now allow the legal entry of parallel imports. Prior to that date, exclusive distributor/agents agreements implied that, other than the authorized and registered distributor/agent, no other importer could legally clear goods through Korean customs, i.e. importers in Korea who tried to bring in products through overseas secondary sources or who were not the exclusive distributor/agent found that their shipments were held up at customs. According to the current parallel import regulations, however, any importer, regardless of whether they hold an exclusive agreement with the overseas supplier, is allowed to import products to Korea as long as: (1) the articles are genuine (not counterfeit products); (2) there is no exclusive local production, and (3) the goods meet other necessary requirements such as sanitary documentation, test analysis, safety and effectiveness, etc.

Information on Typical Product Pricing Structures

The rate for commissions using an agent or distributor vary depending on the type of product and the amount of transaction. On average, Korean agents look for 10%, when a transaction is conducted on a spot basis, but it varies for different products; Generally, 7% would apply to such product categories as general machinery including packaging, construction, and material handling equipment. And, 15-18%, or even more, would apply to such sophisticated products as medical/laboratory/scientific analytical instruments, for which after sales service is very important.

For the protection of the consumer, Korean regulations require consumer items, in general, to be labeled with both the manufacturer's sales price to the retailer and the marked-up retailer's price to the consumer. The mark-up from manufacturer to consumer ranges roughly from 50 % to 150%.

Use of Agents/Distributors; Finding a Partner

The most common means of representation include: appointing a registered commissioned agent (or more commonly known by Koreans as an "offer agent") on an exclusive or non-exclusive basis, naming a registered trading company as an agent, or establishing a branch sales office managed by home office personnel with Korean staff.

Only traders registered with the government are authorized to import goods in their own names. Appointing a registered trading company (rather than an "offer agent") as an agent has the advantage that such agents can handle all the paperwork of importing and import for their own account. Registered trading companies tend to be larger firms and to split their business between exports and imports. However, they may be less attentive to building the U.S. supplier's business and place a higher emphasis on diversifying their portfolio of products from different countries. Similarly, while the general larger trading companies may be influential and well known in the market, they also may not devote as much attention to a single product as do smaller firms.

To locate a local representative, a good place to begin is with a fee-based service called the Agent/Distributor Service (ADS) performed by the Commercial Service (CS) Korea. Offered for a modest fee, the service starts with one of the many local Export Assistance Centers of the U.S. Department of Commerce located in most major cities throughout the United States. The ADS is carried out by industry specialists of CS Korea's local staff who tap into their well-established network of industry contacts and trade associations. Upon receipt of an annotated listing of three to five potentially qualified representatives, the next logical step is to plan a visit to Korea, perhaps calling upon CS Korea to arrange market briefings, a meeting schedule, and an interpreter/secretary under the fee-based Korea Gold Key (KGK) (or special Green Key program for environment-related firms) service.

Another good resource of contacts is the Association of Foreign Trading Agents of Korea (AFTAK), a well-established private trade association founded under government auspices uniquely dedicated to increasing imports into Korea. To fulfill its original mission of promoting balanced trade, AFTAK helps to execute Korea's import diversification plan, leads annual purchasing missions to the United States, Latin America, and Europe, and holds monthly meetings between member agents and the foreign commercial services of various embassies in Korea.

To illustrate the importance of AFTAK, the current Korean law stipulates that a sales agent must be a member of AFTAK to be able to issue and make price quotations, or pro forma invoices in their own names. This mandatory registration requirement is expected to become voluntary by the end of 1999. Until then, quotations, locally used as 'offers,' issued directly by foreign suppliers (without the involvement of an agent/distributor) are subject to case-by-case approval (endorsement) by AFTAK. A commissioned agent/distributor does not have to be registered with AFTAK, but such an agent/distributor must have one of its registered agent(s)/distributor(s) handle the paper work by paying a fee. American businesses can contact AFTAK by sending their catalog with a letter specifying the items for which they are seeking an agent or visit the AFTAK office directly. Catalogs are displayed in the AFTAK library and inquiries are published free of charge in the associations monthly, AFTAK TRADE NEWS (AFTAK contact information is listed at the end of this section). The Commercial Service of the U.S. Embassy also works closely with AFTAK to advertise requests for agents received from American companies.

Usually an agency contract specifies the terms applicable to terminating an agent's contract. When there are no specific provisions in a contract on agent termination, the Korean Commercial Arbitration Code can specify the provisions for terminating an agent contract. This compensation clause allows the agent to claim compensation from the principal. The amount of compensation is usually determined as the total year average of one year's sales commission (i.e. total sales commission over the years divided by the number of years). As a mutually signed contract between supplier and agent/distributor overrules the default Korean provisions of claims for a commercial agent, U.S. companies are advised to specifically include provisions on agent termination.

The Commercial Service in Korea recommends that U.S. companies seek legal counsel prior to signing a contract in Korea. The legal advice that law firms with international experience can provide can prove to be very important. Most experts advise engaging a local attorney before making major business decisions in dealing with Korean companies.

U.S. companies should also seek legal counsel with regards to protecting their intellectual property. Trademark, copyright, and patent (if applicable) registration with the Korea Industrial Property Office (KIPO) is the minimum safeguard for your intellectual property rights to be protected in Korea. U.S. companies are advised to seek the services of a local attorney to directly register their trademarks and/or patents in their own names, not the Korean agent's name. In order to have control over these important intellectual property rights, registration must be done in the U.S. company's name. Korean law requires that only local attorneys be allowed to make applications to KIPO. A list of major attorney firms in Korea is listed at the end of this chapter in the section entitled "Need for a Local Attorney."

List of Useful Contacts Regarding Agents/Distributors

(Note: Telephone dialing information when calling from outside of Korea:
82 is the country code for Korea, followed by 2 which is the city code for Seoul)

Association of Foreign Trading Agents of Korea
AFTAK Bldg., 218 Hankangro 2-ka
Yongsan-ku, Seoul 140-012, Korea
TEL: 792-1581/4
FAX: 785-4373

The Korean Commercial Arbitration Board (KCAB)
43rd Floor, Trade Tower 159 Samsung-dong,
Kangnam-ku, Seoul 135-729 Korea
Trade Center P.O.Box 50,
TEL: 551-2000/19
FAX: 551-2020

Branch Office, Pusan Korea (KCAB)
Rm. 805, Daehan Tongun bldg., 1211-1,
Choryang-dong, Dong-ku,
Pusan 601-714 Korea
TEL: 82-51- 441-7036/8
FAX: 82-51-441-7039

Korea International Trade Association (KITA)
Trade Inquiry Office, 1st floor, Trade Tower, KWTC
159-1, Samsung-dong, Kangnam-ku, Seoul, Korea
TEL: 551-5267/9
FAX: 551-5161

Franchising

There are three main types of franchises in Korea, including restaurants, retail, and services.

Restaurants:
The family franchise restaurant market began to develop in Korea in late 1994, and grew between 40-50 percent a year until the beginning of the fourth quarter of 1997. The image of many foreign restaurants operating in Korea was first tarnished by the e-coli bacteria health scare in September 1997, which set off a wave of concern over the quality of food served at fast food and family restaurant chains. The adverse publicity was followed by the sudden impact of the economic crisis which began in November 1997. Between November 1997 and February 1998 in the midst of a national shortage of foreign capital, anti-foreign sentiment was stirred up by various media and consumer organizations who claimed royalties earned in Korea were being expatriated overseas to foreign franchisers. Foreign franchise restaurants were criticized for contributing to the economic crisis because they pay royalties and franchising fees abroad in U.S. currency. From November 1997 until late 1998, even though the economy began to show signs of recovery, U.S. franchisees experienced a 30-50 percent drop in sales.

In the first quarter of this year, Korea's economy grew by 4.6% mainly due to the increased levels of facility investment and partly as a result of increased personal consumption. During the first quarter, personal consumption rebounded 7.4%, after a 10.3% fall a year earlier. In conjunction with positive signs of economic recovery, industry specialists foresee that consumers will once again be dining out in significant numbers. Although experts do not expect in the near term that revenues for the food service industry will soon return to pre-crisis levels, overall sales in franchise restaurants have shown a 15-20% since the beginning of this year. Recently, however, a new dioxin scare has created concern about imported food products served in fast food and family restaurants and has stirred up a small wave of criticism from media and civic groups. The total franchise restaurant market is estimated to be approximately 1,044 billion won (US$870 million, US$1 = 1,200 won), which represents about 5 percent of Korea's 20 trillion won food service market.

Retail:
Since Korea's economy is recovering faster than expected by local and overseas economic research institutes, the domestic retail industry expects to grow by 9.7% to 110.5 trillion won ($92.1 billion) in 1999. Gross revenues for the Korean retail industry, which includes department stores, discount stores, supermarkets, convenience stores and conventional markets, reached 100.7 trillion won ($71.9 billion) in 1998. In particular, department stores, which comprise 11.3% of the retail industry, expect revenues of 12.5 trillion won ($10.4 billion), up 9.7% from 1998. Discount stores expect a 40% growth rate this year, reaching 7 trillion won from 5 trillion won in sales made in 1998. Due to the continuing popularity of discount stores (especially during the economic crisis) and their significant expansion in the market, department

stores experienced negative growth of 9.8% in 1998, compared to 1997.

Services:
In Korea, the service business franchises has not been quite developed yet, because franchisees focused more on developing restaurant and retail businesses. However, recent market developments indicate that there is potential for a new type of franchise service directed toward business users. For example, Frannet Korea was recently established as an associate office of Frannet USA, a large franchising company based in San Diego. The local office introduces U.S.-based franchising companies to prospective Korean master franchisees and is attracting the attention of many Korean investors and recent early retirees with cash on hand who are looking for new business ventures. Accordingly, U.S. service franchises, which do not require much initial investment, will attract potential Korean franchisees who are seeking to franchise foreign SOHO (Small Office/Home Office) businesses. U.S. firms' systematic management skills and established brands will be important factors in selecting the proper investment opportunity for potential Korean franchisees and for Korean end-users. Additionally, name recognition and quality are also key factors. Industry experts believe that Korea offers a good potential market for business-to-business franchise services over the next few years.

Direct Marketing

The direct marketing business is comprised of three main areas: door-to-door, multi-level, and direct mail catalog sales.

Door-to-Door Sales:
Door-to-door sales is a well established practice in Korea. There were 7,740 door-to-door sales firms in Korea, as of December 1998. Major products that door-to door-sales firms market include home education materials, books, household consumer goods, cosmetics, health food and sporting goods. Services sold include products such as insurance and travel. Obtaining data about the market for door-to-door sales in Korea is difficult because the majority of the firms are small-sized. According to the Korea Direct Selling Association (KDSA), the Korea door-to-door sales market at year-end 1998 was approximately 1 trillion won (US$ 714 million, US$1 = 1,400 won).

Multi-level Sales:
The main problems in Korea have centered upon restrictions placed on multi-level marketing organizations (MLM). Over the years, Korean authorities have criticized MLM's as an undesirable or inappropriate business form for Korea; one which is prone to consumer safety negligence, "excessive" profitability, and abuse of the tight Korean social fabric through "pyramid schemes."

To check the rapid inroads made by foreign multi-level sellers, most notably U.S. firms active in the areas of health and cleaning products, the Korean Door-to-Door Sales Act was implemented in late 1991. In addition to being arguably the world's most restrictive law on multi-level sales, certain provisions were vague or contradictory and led to criminal charges brought against two American companies. The Ministry of Trade, Industry and Energy (MOCIE) worked to revise the original 1991 law in the fall of 1994 to bring it more in line with international norms. As a result, the revised Door-to-Door Sales Act went into effect in July 1995 which contained provisions that regulate distribution, training and compensation. A number of multi-level U.S. firms in such areas as cosmetics, cleaning products, and kitchenware have been operating and expanding quite successfully under the Act.

More recently, MOCIE abolished some unnecessary regulations for MLM companies by amending the Door-to-Door Sales Act. The National Assembly passed the amendment on January 5, 1999. The regulations abolished this time include one of U.S. industry’s main concerns, i.e. the obligation to disclose retail prices on the MLM product label. However, the existing Door-to-Door Sales Act still contains restrictive provisions such as requiring a maximum sales price of any product of no more than 1 million won and a maximum on sponsoring bonuses of up to to 35% of the sales price. Korean government officials have stated that their aim in reforming MLM legislation is to promote regulatory reform and reduce administrative burdens and penalties for legitimate MLM companies, while the government realistically attempts to address growing social problems related to illegal MLM’s.

As of May 25, 1999, the government authority that enforces the Door-to-Door Sales Act was transferred from MOCIE to the Fair Trade Commission (FTC) as a result of the Government Reorganization Law. The FTC reports to the Office of the Prime Minister. The industry still expects a measure of support from MOCIE because of the Distribution Industry Promotion Act, which was originally intended to support small and medium-sized distribution businesses. However, MLM companies also are curious about how the FTC will interpret existing policy or whether it will propose additional reforms now that it has assumed supervisory authority from MOCIE. The multi-level sales for year end 1998 was approximately 600 billion won (US$ 428.6 million, 1US$ = 1,400 won).

As noted, there are still some problems, which appear to relate to Korean perceptions of how foreign MLS firms advertise the benefits of their products in the media rather than the quality of the goods. Foreign catalog and MLS firms should analyze market trends carefully to promote their products and services successfully in Korea. Prior knowledge of the issues can help avoid unnecessary difficulties in relationships with government offices, consumer watchdog groups, and customs officials.

Direct Mail Catalog Sales:

Although direct mail catalog sales businesses are still in their infant stages, there is potential in Korea, particularly in Seoul, where the heavy traffic can make even the most patient person look favorably towards convenient home delivery. However, industry sources are of the opinion that there will not be good market opportunities for the direct mail catalog sales business in Korea in the near term due to several factors: 1) the current economic situation which Korea is facing; 2) expensive distribution costs; 3) less competitive prices compared to other large discount or membership stores; 4) the illegality of trading mailing lists; and 5) delivery time delays due to an unorganized mailing/ street address system.

Joint Ventures/Licensing

Since the economic crisis of November and December of 1997, the Korean Government, at the highest levels, has made a dramatic and high profile effort to attract foreign investment for the purposes of restructuring its economy and bringing in much needed foreign capital. In its efforts to overcome the economic downturn, the government has not only publicized its open encouragement of foreign investment, but also has implemented liberalization policy measures, including an increase in foreign equity ownership, to accommodate its goals. Though high level officials, lead by President Kim and the Prime Minister's Office, have led the charge to de-regulate and liberalize the economy, some foreign companies point out that restrictive regulations which would strike out trade and investment barriers at the working level are not being realized.

Yet, many foreign companies, like Coca-Cola and Pfizer, that already have operations in Korea have chosen this opportunity to increase their involvement in Korea. However, many U.S. investors continue to take a wait and see attitude because of continuing concerns over corporate transparency and indebtedness. Opportunities exist for cautious investors, though it may take a little longer before many investors are really ready to take the plunge.

Foreign investment approval is controlled by the Ministry of Finance and Economy (MFE) and governed through the Foreign Capital Inducement Act (FCIA) which was replaced by the Foreign Investment Promotion Act (FIPA) in 1998. It is anticipated that the FIPA will enhance investor rights and incentives, as well as remove bureaucratic obstacles to investment.

Selecting the appropriate partner is one of the most difficult and crucial aspects of initiating a joint venture in Korea. On the one hand, the large Korean conglomerate chaebols still exercise considerable influence which permeates the Korean government and financial institutions. On the other hand, the Korean Government's attempts at a policy shift toward the support of small and medium sized businesses means that the participation of a chaebol in a joint venture could create additional obstacles in terms of obtaining necessary approvals and local financing, especially with the recent government policy shift towards anti-monopoly behavior. In addition, Chaebols' tend to be insistent on operating a joint venture in accordance with the overall policies and business culture of the group, sometimes to the detriment of the foreign shareholder's interest. Though there may be a great need for an injection of foreign capital for the survival of a company, there is a tendency built into Korean business culture to maintain local control, regardless of the percentage invested by foreign entities. A U.S. company may therefore consider assigning its headquarters staff to Korea to closely monitor and influence the activities of a newly established joint venture company.

Management control must be evaluated on three levels: 1) shareholder equity; 2) representation on the board of directors; and 3) active management (Representative Director and subordinate management). Since board meetings in Korea can only be legally held by a physical meeting of a quorum of the directors, if a foreign investor intends to exercise day-to-day management by appointing a Representative Director, that individual must be expected to reside in Korea. Also, in order to carry out the intentions of the foreign investor, the Representative Director will need the support of and access to key functional areas of the company which are crucial to those intentions. Therefore, the detail of the internal organization of a joint venture company should be settled and key management appointments agreed upon in the early stages.

Compatibility of goals between the partners is a crucial element to the joint venture's success. Conflicts often arise because of a conflict between the foreign investor's goal of sending profit dividends offshore and the Korean investor's goal of company growth in Korea with accompanied exports to third country markets. Korean attitudes are rooted in social and cultural factors and a continuing family orientation on the part of many companies.

To Koreans, a contract represents the current understanding of a "deal" and is the beginning of negotiations with a Korean partner, not the end of discussions. If there are omissions or points that do not accurately express the understanding of the original deal under changing circumstances, then problems will arise. The same is true if the contracting parties change. This has led many foreigners to believe that Koreans do not place the same importance on a written contract as Westerners do. Though Americans may regard a written contract as legally binding, a Korean may regard the same contract as a "gentlemen's agreement" which is subject to further negotiations dependent upon new circumstances. Therefore, contract negotiations with Koreans should be viewed as a process of extensive dialogue with the objectives of (1) reaching a common understanding on the deal and of each party’s responsibilities; (2) putting that detailed understanding on paper; and (3) being prepared to modify the meanings of the terms afterwards, as conditions change.

Certain terms of the commercial relationship between the joint venture partners, such as technology transfer, raw material supply, marketing and distribution, should be agreed upon in detail concurrently with the negotiation of the joint venture agreement. Though circumstances are slowly changing, Korean companies have not invested a great portion of their operating funds towards research and development. For this reason, there is a large Korean demand for technology transfer licensing agreements from foreign countries, particularly, the United States, whose companies have a comparative advantage in the high technology area.

In this context, American companies should proceed with caution when they enter into a transfer technology licensing agreement. The protection of a company’s intellectual property is not necessarily guaranteed, especially in the later stages of a business relationship when it means the survival or death of a Korean company. Though U.S. companies oftentimes register their patented technology with the Korean Industrial Property Office (KIPO) before entering into a licensing agreement, the most successful American companies intentionally withhold from the Korean partner a small but key component of the manufacturing process or component. This preventative strategy allows the U.S. company to harness the use of the licensed technology in a controlled manner and maintain the integrity of the licensing agreement.

If a contract is violated in Korea, the legal procedures in Korea can be lengthy, cumbersome and expensive. Hence, if at all possible, the best contract strategy is preventative. Identification of a viable and trustworthy business partner from the very beginning is essential and due diligence should be performed regarding the potential business partner prior to any contract negotiations.

One precautionary strategy is to consult with attorneys throughout the process of negotiating a contract. (A list of attorneys in Korea is included at the end of this chapter.) In addition to consulting an attorney, another potential source to consult is the Korean Commercial Arbitration Board (KCAB). The KCAB is staffed with counselors who can advise U.S. companies on contract guidelines. At the company's request, an assigned KCAB counselor can review the contract and stress the importance of an arbitration clause in the contract. The KCAB contact information is as follows:

Mr. Kim, Kwang-Soo, Manager
Public Information Section
The Korean Commercial Arbitration Board
43rd Floor, Trade Tower (Korea World Trade Center)
159 Samsung-dong, Kangnam-ku
Seoul 135-729, Korea
Tel. 82-2-551-2703, 82-2-551-3511
Fax. 82-2-551-2011

Steps to Establishing an Office

The following section provides some basic step-by-step guidelines for U.S. companies on how to set up an office in Korea. In addition, a list of real estate and real estate consultancy, taxation and human resource search services in Korea is provided in this section.

Step 1: Assess Your Company's Ability to Conduct Business in Korea

According to your company's particular industry sector, each investment will be different in terms of the size and complexity of an investment as well as the Korean laws and regulations governing operating in Korea. Because the Ministry of Finance and Economy continually revises its negative list, the best way to verify if your business activity can be conducted in Korea through your proposed office in Korea is to contact the "Investing in Korea Service Center."

The Korea Investment Service Center (KISC), formerly the Investing in Korea Service Center (and before that, the Comprehensive Center for Foreign Investment), can help provide general counseling in helping your company to assess whether your company's office in Korea will be allowed to conduct business in Korea. The Center can also provide general assistance before and during your set-up phase. Under the auspices of the Ministry of Commerce, Industry and Energy, the Center is charged to provide assistance and advice to foreign investors. Their one-stop service system provides services including information and consultations regarding trade and investment regulations, taxation, financing, customs clearance, plant/office site location, and investigation and resolution of difficulties or inquiries related to foreign investment.

The Center is located in an active business area of southern Seoul. The following is contact information for the KISC:

KOTRA/ KISC
6th Fl.,
#300-9, Yumgok-dong, Seocho-ku
Seoul 137-170, Korea
Tel:(82-2)3460-7545
Fax:(82-2)3460-7946/7
E-Mail: ico@kotra.or.kr Website: http://www.kotra.or.kr

Other References for Foreign Investment Assistance include:
(Note: Telephone dialing information when calling from outside of Korea:
82 is the country code for Korea, followed by 2 which is the city code for Seoul)

Organization:	Telephone	Fax
- Investment Policy Division	500-2535	503-9438
- Investment Promotion Division	500-2539	500-2152
(Ministry of Commerce, Industry, and Energy)		
- Investment Promotion Division	551-4384	551-4463
(Korea Trade-Investment Promotion Agency)		
- International Cooperation Department	769-6706	782-9702
(Small and Medium Industry Promotion Corp)		
- Seoul Foreign Investment and Trade Service Center	731-6800/2	731-6803
(Seoul Metropolitan Government)		

- Trade Inquiry Office, 551-5269 551-5161
(Korea International Trade Association)

Step 2: Receive Authorization to Proceed with an Investment

Once your company is confident that it will be allowed to conduct its business activity in Korea, the next step is to complete and submit the necessary notification documents. Permitted foreign investment projects are subject to notification to the Ministry of Commerce, Industry, & Energy (MOCIE) of the Korean government which delegates its authority to the head office of any major commercial bank in Korea. (A list of major banks in Korea can be found at the end of Chapter VIII - Trade and Project Financing.)

The head office of any major commercial bank is entrusted with the power to accept notification from companies proposing to engage in business in a liberalized sector. In practice, a commercial bank's head office will also generally accept notification of partially liberalized sectors provided that the foreign investment meets the criteria condition for the specific business. However, the bank will reject those notifications in sectors which are still considered prohibited to foreigners.

Your organization's designated representative should visit a commercial bank's head office (the Bank) and consult with the designated staff dealing with foreign customers and foreign investment. The Bank provides application documents to be later re-submitted to the Bank for authorization. Once all the documents have been thoroughly completed with the Korean translations attached, the authorization process by the head office bank should not take more than three hours.

Step 3: Search for an Office Site

It is required that a company submit notification documents and have them accepted by the head office of a bank in order to proceed with setting up an office. However, as finding and negotiating for an office site may take longer than the process of completing the documentation and notification to the bank, company's may consider taking steps 2 and 3 simultaneously. To the company unfamiliar with Korean real estate, one of the most important assets of finding a good office site is to find a good real estate agent or real estate consultancy firm that is particularly skilled with foreign investments. A list of select real estate and real estate consultancy firms can be found at the end of this section.

Because of the scarcity and high demand for land, property is still expensive by U.S. and even Asian standards, despite the economic downturn. The rental rates for office space in Seoul, by comparison, are not as high as East Asian capitals such as Tokyo or Hong Kong. A recent spot survey indicated a range of monthly rents in popular Seoul commercial buildings from $40 to $80 per pyong (equal to 3.3 square meters). These rates are inclusive of maintenance fees and based upon gross floor area, which include common areas. Compared to a spot survey done in 1996, the rates were down by 50% in 1998. However, the rates are up by 10% in 1999 over 1998.

In combination with the monthly rental fee, another major cost item is the substantial deposit payment (or "key money"), a one-time charge which is refundable without interest upon termination of a lease. Key money is required by almost all Korean landlords. Hence in addition to the monthly rental fee, key money deposits for the rentals quoted above range from $3,000 to $6,000 per pyong. Considering the present economic situation, the rental fee still has room for negotiation. There are various combinations of monthly rental fees and key money deposits, and the price per pyong varies based on the negotiated terms. Office parking is another scarce commodity in Seoul, with monthly charges.

Foreign companies in Seoul tend to cluster in four well-known districts: City Hall -- the old downtown where the U.S. Embassy, the American Chamber of Commerce, and a few Korean ministries can be found; Yoido -- the "Manhattan Island" alongside the Han River where financial firms and the National Assembly are located; Kangnam -- the expansive, bustling, new city center south of the river which also includes the World Trade Center complex; and the Mapo district -- halfway between Yoido and City Hall. While traffic is an ongoing source of frustration and delay, Seoul has an excellent public transportation grid such that newly arriving firms can consider various location options.

In the past, the Korean government limited the foreign acquisition of Korean land under the Enforcement Decree of the Alien Land Acquisition and Management Law. Under the old law, foreign investors needed to obtain permission from the government or were not able to acquire land. But according to the revised "Foreign Land Acquisition Law," the Korean government allows foreigners to purchase land regardless of the size and purpose. However, local zoning laws which limit the scope of the type of activity should also be taken into consideration before making the final purchase.

Step 4: Register with the Nearest Tax Office

After locating the site for the office and providing notification to the Bank, the investor, for tax reporting purposes, must register with the nearest tax office within the jurisdiction of the site area. Local Korean tax authorities, in addition to performing tax audits, provide new tax information and counseling at the request of the company. However, the complicated Korean tax laws and the language barrier make it prohibitively difficult for unfamiliar foreign companies to file tax documentation with the Korean tax authorities. Therefore, a company should seriously consider hiring a local accountant firm to perform this function. (Such a list can be found at the end of this section on "Steps to Establishing an Office").

Step 5: Seek Qualified Employees

One last area of setting up your company office may be to find qualified employees, whether local or foreign, to staff your office. Oftentimes, the headquarters of a U.S. company designates one or two Americans to head their office in Korea, while the rest of the staff tend to be local Koreans or Koreans educated in the U.S. To fill both managerial and staff positions, many companies increasingly seek technically qualified Korean-Americans who possess bilingual skills and who are sensitive to bicultural business protocol.

Attractive factors to local workers can include a higher salary, a higher position earlier in one's career, opportunities for travel, the chance to learn and use English, and the opportunity for transfer to the home office or other foreign branch office.

Korea also has a large pool of conscientious, highly educated, enthusiastic and underutilized women workers who usually cannot find equivalent employment in Korean companies due to traditional cultural attitudes towards women in the work force and the prevalence of the "old boy network." Where little opportunities for professional advancement in traditional Korean companies exist, frustrated Korean women, especially professionally qualified Korean women, often welcome a career opportunity should a foreign firm make a good offer.

The complete dedication to the company by Korean workers is slowly disappearing. Company loyalty still exists but these attributes and high productivity do not result automatically. The employer, if foreign, must first earn the respect of his/her Korean employees. Foreign managers have had success using recognition and increased pay to reward increased productivity. In addition, the basic requirements of earning loyalty, respect and friendship gained by the foreigner's own personal efforts are also important motivators.

Whether seeking to hire local or foreign staff or obtaining consultation and information on the local labor laws, one of the options is to consult an employment agency in Korea (list below).

List of Real Estate and Real Estate Consultancy, Taxation, and Human Resource Search Services

*(*Note: ALL lists and contact information in this Country Commercial Guide are provided only to assist U.S. companies or individual investors to identify companies in Korea who may be able to meet the specific needs of U.S. companies. The lists are not meant to be an exhaustive one, nor is it intended that inclusion in the list be construed as a U.S. Embassy endorsement or recommendation of the companies so listed. The Department of Commerce and the U.S. Embassy assume no responsibility for the professional ability or integrity of the persons or firms whose names appear in the lists given below. The companies listed below are arranged in alphabetical order according to category, and the order in which they appear has no other significance.)*

(Note: Telephone dialing information when calling from outside of Korea:
82 is the country code for Korea, followed by 2 which is the city code for Seoul)

List of Major Real Estate and Real Estate Consultancy Firms in Korea

Century 21 Korea Co., Ltd.

3rd Floor, Daewon Bldg.
946-18 Daechi-dong, Kangnam-ku, Seoul
Phone: 561-0021; Fax: 561-0361
Contact: Mr. O.J. Kwon, CEO & Regional Director
(Specialized in commercial & residential real estate)

ERA Korea Co., Ltd.
Room 2001, Dusan Bearstel
1319-11, Seocho 2-Dong
Seocho-Ku, Seoul
Phone: 3472-9114;Fax:3472-9113
Contact: Mr. Ahn, Bum Joon
(Specialized in commercial & residential real estate)

The John Buck Company
Room 1009, Sam Hwan Bldg., 98-5
Unni-dong, Chongro-ku, Seoul 110-742
Phone: 741-6200; Fax: 741-2598
Contacts: Mr. Pietro A. Doran, Managing Director; Mr. David Yoon, Senior Director
(Specialized in commercial, retail, location analysis, leasing, project & construction management and development consulting)

KIRA Consulting
7th Floor, Samsungdang Bldg., 101-14
Nonhyun-dong, Kangnam-ku, Seoul
Phone: 544-8400; Fax: 547-8480
Contacts: Mr. Chun, Won Jae, President; Mr. Ji, Moon Bae, Manager
(Specialized in commercial real estate)

Korealand Co.
5th Fl., Soam Building, 44-10
Samsung-dong, Kangnam-ku, Seoul 135-090
Phone: 548-4900; Fax:515-4009
Contact: Mr. Kang, Young Dae, Planning Director
(Specialized in residential real estate)

Le Meilleur Co., Ltd.
15Fl., F.K.I. Bldg., 28-1
Yoido-dong, Youngdungpo-ku, Seoul
Phone: 761-0600; Fax: 786-0901
Contacts: Mr. K. T. Chung, President; Mr. Choi, Soo Young, General Manager
(Specialized in real estate marketing)

Pacific Consulting Co., Ltd.
Room 206, 2nd Fl, Unhyun Shinwha Tower Bldg.
30-6, Iksun-dong
Chongro-ku, Seoul
Phone: 785-1818; Fax: 785-0249
Contact: Mr. Yang, Jae Wan, President
(Specialized in commercial real estate consulting/marketing)

List of Major Accounting Corporations in Korea

Ahn Kwon Accounting Corp.
7th Floor, Tae Young Bldg., 252-5
Gongduk-dong, Mapo-ku, Seoul 121-020 Korea
Phone: 3271-3114 Fax: 3271-3200
Foreign Partner: Deloitte Touche Tohmatsu

Anjin Accounting Corp.
Samwhan Camus Bldg., 5th Fl., 17-3,
Yoido-dong, Youngdungpo-ku, Seoul
Phone: 82/2/784-6901 Fax: 785-4753
Foreign Partner: Arthur Andersen (U.S.A)

Chong-Un Accounting Corp.
6th Fl., Dongha Building
629, Daechi-dong
Kangnam-ku, Seoul
Phone: 82/2/2263-2868 Fax: 82/2/2267-0470
Foreign Partner: Howarth Int'l (Switzerland).

Samduk Accounting Corp.
Seohung Bldg., 12th Fl., 68, Gyunji-dong, Chongro-ku, Seoul
Phone: 82/2/735-0241 Fax: 82/2/730-9559
Foreign Partner: Nexia International (Netherlands; has several business networks in the U.S.A)

Samil Accounting Corp.
Kukje Center Bldg. 20th Fl., 191
2-ka, Hangangro, Yongsan-ku, Seoul, Korea
Phone: 82/2/709-0800 Fax: 82/2/796-7027
Foreign Partner: PriceWaterhouseCoopers(U.S.A.)

KPMG San Tong Accounting Corp.
15th Fl., Construction Center, 71-2
Nonhyun-dong, Kangnam-ku, Seoul 135-010 Korea
Phone: 82/2/3438-2000 Fax: 82/2/3442-3200
Foreign Partner: Klynveld Peat Marwick Goerdeler (U.S.A)

Shin Han Accounting Corp.
7th Floor, Dae Shin Securities Bldg., 34-8,
Yoido-dong, Youngdungpo-ku, Seoul 150-010 Korea
Phone: 82/2/769-3600 Fax: 82/2/769-3650
Foreign Partner: Robinson Rhodes, Salustro Reydel,
McGladrey & Pullen (multi-national)

Young Wha Accounting Corp.
Daeyoo Securities Bldg., 8th-14th Fl., 25-15
Yoido-dong, Youngdungpo-ku, Seoul
Phone: 82/2/783-1100 Fax: 82/2/786-6957
Foreign Partner: Ernst & Young Int'l (U.S.A)

List of Human Resources/Executive Search Agencies in Korea

AMROP International
Executive Search
Room 1401, Jongkeundang Building
368, 3-ka, Chunjung-ro, Seodaemoon-ku
Seoul 120-013
Phone: 393-3701; Fax: 393-1811
E-mail: info@amrop.co.kr
Contact: Mr. Shim, In Shik / Representative Director

Boyden International, Inc.
Room 1105, Changkyo Bldg., 1, Changkyo-dong
Chung-ku, Seoul 100-760
Phone: 756-9305/6; Fax: 755-4632; Email: seoul@boyden.co.kr
Contact: Mr. Yim, Ki Soon, Managing Director
(Affiliated with Boyden World Corporation, New York)

Korea Search System Ltd.
3 Fl., Jesung Bldg., 1487-4, Seocho-dong
Seocho-ku, Seoul 137-073
Phone: 587-6200; Fax: 587-6260

Contact: Mr. Jim M. Lee, President

KK Consulting, Inc.
Suite 514, City Air Terminal Korea, 159-6
Samsung-dong, Kangnam-ku, Seoul 135-729
Phone: 551-0366 Fax: 551-0220;Email:kkkim@kkconsulting.com
Contact: Mr. Kuk-Kil Kim, President

Unico Search Inc.
Suite 603, City Air Terminal, 159-6, Samsung-dong
Kangnam-ku, Seoul 135-728
Phone: 551-0313; Fax: 551-4959
Contact: Mr. Hyong-Jin Kim, President

T.A.O. Korea, Teams and Organization
No. 1, Chongro-1ka, Chongro-ku
Seoul 110-714
Phone: 739-3981/ 4; Fax. 739-3985
Contact: Ms. Romi Gyunghee Hahn

Selling Factors/Techniques

Three practices are essential to success in the Korean market: (1) adapting products and procedures to Korean tastes and conditions, (2) staying in close communication with Korean business partners and customers, and (3) consistently exhibiting a firm commitment to the Korean market over the long run.

In selling to manufacturers, personal contact is important not only because of the value placed on direct discussion and on building long-term relationships but also because such contact brings the end-user in touch with new processes and equipment. In light of the competition offered by Japanese suppliers, who often visit potential and existing customers throughout Korea, U.S. suppliers should consider (1) making visits to Korea to augment the efforts of the local representative; (2) bringing representatives back to the home office periodically to ensure they are fully informed, motivated and up-to-date on the supplier and its offerings; (3) allowing the distributor or agent to appropriately choose among the U.S. company's full product line selection for sale in the Korean market, (4) holding more demonstrations, seminars and exhibitions of their products in Korea, perhaps utilizing the U.S. Business Center facilities of the Commercial Service in Korea; (5) increasing the distribution of technical data and descriptive brochures (the Business Center of the US Embassy can assist with catalog displays, translations and mailings); and (6) improving follow-up of initial sales leads.

Advertising and Trade Promotion

In 1991, the advertising market was completely opened to 100 percent foreign equity participation. As a result, a large number of joint venture agreements between major international advertising agencies and local Korean advertising firms were established. Today, all the major international agencies are present in Korea.

There are two established broadcast networks in Korea, KBS I and KBS II, which are Korean government owned and operated. Two other networks, MBC and SBS, are independent. Advertising time for all four networks is sold through the exclusive government selling organization, Korea Broadcast Advertising Corporation (KOBACO). Despite problems in the past regarding the competition for air time, the advertisement market is not just a virtually open market, but also a buyer's market.

As one of the government's efforts to privatize government-owned firms, the Korean government announced its plan to abolish KOBACO and give the sales right back to the broadcasting companies. A detailed plan will be discussed and made after the new Integrated Broadcasting Act is enacted in 1999. According to this change, the advertising sector will see a more active market after a transition period.

Presently, the networks do not televise during the early afternoon and very late night/very early morning periods. However, along with many local TV stations established in the past three years, the opening of the Cable TV industry just in 1995 has provided a phenomenal increase in the potential to reach Korean audiences. As of July 1999, there are four Network Operators that are currently servicing the Korean cable TV industry, 77 System Operators and 29 Program Providers providing such diverse programs from business news, to sports, to music, to Buddhism, to the Korean board game, baduk ("Go"). Among the 29 Program Providers, there are two shopping channels.

The Korean Broadcasting Commission is the responsible governmental authority for censorship in the local broadcasting advertising field. The Korea Advertising Review Board (KARB) was established in 1991 under the control of the Korea Advertisers Association as an organization to protect advertisers and ad agencies. KARB, which is organized by advertising associations, societies and industry associations, completed work on advertising review regulations in 1994. In addition, the Korean Fair Trade Commission has power over the advertising sector in determining whether an advertisement accurately portrays its claims. Also, certain Korean industry trade associations have the power to approve or reject advertisements related to the industry. Though Korean censorship is still prevalent, it is not as strict as it has been when compared to the past and the Korean government is planning to move from a pre-censorship to post-censorship system in the near future.

Seoul has a world-class trade resource known as the Korea World Trade Center (KWTC). The KWTC consists of the 55 story Trade Tower and the Korea Exhibition Center, popularly known as "KOEX." The Trade Tower houses the offices of the Korea Trade and Investment Promotion Corporation (KOTRA), a wholly-owned corporation of the Korean Ministry of Commerce, Industry and Energy. KOTRA has offices throughout the world and is the main international trade promotion organization of the Korean Government enhancing the export of Korean products as well as investment in Korea. Also located in the Trade Tower is the Korea International Trade Association (KITA), Korea's largest trade association for import and export trade. KOEX is a profit-making, wholly-owned subsidiary of KITA. It contains over 335,000 square feet of usable space, making it the largest trade show venue in Korea. The exhibition center hosts about 100 major trade shows a year, one third of which KOEX organizes. The KOEX facility features eight event halls, seminar rooms, restaurants, video and copy services as well as an equipment rental office.

Pusan, the second largest city in Korea located in the far southern part of the Korean peninsula, has currently one exhibition hall called the Pusan Trade Exhibition Center (PUTEC) which has a floor space of 33,870 square feet. PUTEC is directly run by the Pusan metropolitan city government. A construction project for another larger exhibition hall is being planned in Pusan and is scheduled to begin operating in 2002. This new hall would more than double Pusan's trade exhibition capacity. There are also smaller exhibition halls in Seoul, Pusan, Taegu and Changwon.

The major five star hotels in Seoul, for example, the Hilton, Hotel Shilla, The Hyatt, Intercontinental, Lotte, Ramada Renaissance, Sheraton Walker Hill, and the Westin Chosun offer excellent options and services for organizers and individual firms planning exhibitions, seminars or receptions. In addition, located directly behind the U.S. Embassy in the Leema Building, the U.S. Business Center of the Commercial Service Korea, which is a part of the U.S. Embassy in Seoul and organizationally a part of the U.S. Department of Commerce, offers invaluable support to bring U.S. products and services to the Korean market. For a nominal fee, the Business Center provides modern audio and visual equipment as well as catering arrangements to help U.S. businesses stage a cost effective professional promotion, technical seminar, matchmaker, reception or business meeting.

<u>List of Major Newspapers and Business Journals</u>
(Note: Telephone dialing information when calling from outside of Korea:
82 is the country code for Korea, followed by 2 which is the city code for Seoul)

Major Newspapers in Korea

Chosun Ilbo
(Korean newspaper)

General:	Tel: 724-5114	Fax: 724-5329 (Int'l Div.)
Advertising:	Tel: 724-5824	Fax: 724-5809
Address:	61, 1-ka, Taepyung-ro, Chung-ku, Seoul 100-756 Korea	

Chungang Ilbo
(Korean newspaper)

General:	Tel: 751-5114	Fax: 751- 5420 (Int'l Div.)
Advertising:	Tel: 751-5076	Fax: 724-5809
Address:	7, Soonhwa-dong, Chung-ku, Seoul 100-130 Korea	

Dong Ah Ilbo
(Korean newspaper)

General:	Tel: 361-0114	Fax: 361-0445
Advertising:	Tel: 721-7755	Fax: 721-7787
Address:	139, Sejong-ro, Chongro-ku, Seoul 110-715 Korea	

Hankuk Ilbo
(Korean newspaper)

General:	Tel: 724-2114	Fax: 732-9288/4124
Advertising:	Tel: 724-2802	Fax: 720-7222
Address:	14, Chunghak-dong, Chongro-ku, Seoul 110-150 Korea	

Hankyoreh Shinmun
(Korean newspaper)

General:	Tel: 710-0114	Fax: 706-9569
Advertising:	Tel: 710-0417	Fax: 710-0410
Address:	116-25 Gongduk-dong, Mapo-ku, Seoul 121-750 Korea	

Korea Economic Daily
(Korean newspaper)

General:	Tel: 360-4114	Fax: 319-6016
Advertising:	Tel: 3604-477	Fax: 392-4168
Address:	441, Chunglin-dong, Chung-ku, Seoul 100-360	

The Korea Economic Weekly

(English weekly newspaper)

	Tel: 365-3053/4	Fax: 365-3057
Address:	441, Chungnim-dong, Chung-ku, Seoul 100-791 Korea	

Korea Herald
(English newspaper)

General:	Tel: 727-0114	Fax: 727-0670
Advertising:	Tel: 727-0333	Fax: 727-0676
Address:	1-12, 3-ka, Hoehyun-dong, Chung-ku, Seoul 100-771 Korea	

Korea Times
(English newspaper)

General:	Tel: 724-2716	Fax: 732-4125
Advertising:	Tel: 724-2827	Fax: 723-1623
Address:	17-11, Chunghak-dong, Chongro-ku, Seoul 110-792 Korea	

Kuk Min Ilbo
(Korean newspaper)

General:	Tel: 781-9114	Fax : 7819-381 (Int'l Div.)
Advertising:	Tel: 781-9818	Fax: 781-9830
Address:	12, Yoido-dong, Youngdungpo-ku, Seoul 150-010 Korea	

Kyunghyang Shinmun
(Korean newspaper)

General:	Tel: 3701-1114	Fax: 735-6140 (Int'l Div.)
Advertising:	Tel: 3701-1502	Fax: 736-4985
Address:	22 Jung-dong, Chung-ku, Seoul 100-702	

Maeil Kyungjae
(Korean newspaper)

General:	Tel: 2000-2114	Fax: n/a
Advertising:	Tel: 2000-2250/1	Fax: 2275-8070
Address:	51-9, Pil-dong 1-ka, Chung-ku, Seoul 100-728 Korea	

Munhwa Ilbo
(Korean newspaper)

General:	Tel: 3701-5114	Fax: n/a

Advertising	Tel: 3701-5566	Fax: 730-0674/5
Address:	68, 1-ka, Choongjung-ro, Chung-ku, Seoul	

Naeway Economic Daily
(Korean newspaper)

General:	Tel: 727-0114	Fax: 727-0661
Advertising	Tel: 727-0303	Fax: 727-0674/5
Address:	1-12, 3-ka, Hoehyun-dong, Chung-ku, Seoul	

Segye Ilbo
(Korean newspaper)

General	Tel: 2000-1234	Fax: 799-4520
Advertising	Tel: 792-3500	Fax: 793-7125
Address:	63-1, Hangangro 3-ka, Yongsan-ku, Seoul	

Daehan Maeil
(Korean newspaper)

General:	Tel: 721-5114	Fax: n/a
Advertising:	Tel: 721-5777	Fax: 721-5779
Address:	25, 1-ka, Taepyung-ro, Chung-ku, Seoul 100-101 Korea	

Seoul Kyungjae Shinmun
(Korean newspaper)

General :	Tel: 724-2715	Fax: n/a
Advertising:	Tel: 724-2821	Fax: 734-9009
Address:	14, Chunghak-dong, Chongro-ku, Seoul 110-150 Korea	

Major Business Journals Published in Korea

Business Korea
(monthly magazine)

Marketing:	Tel: 744-4010	Fax: 745-3232
Address:	3/F, Christian Women's Mission Center 1-1, Yeonji-dong, Chongno-ku, Seoul 110-470 Korea	

Korea Economic Report
(monthly magazine)

	Tel: 783-5283/7	Fax: 780-1717
Address:	Suite 603, Shinsong Bldg.	

25-4 Yoido- dong, Youngdungpo-ku,
Seoul 150-010 Korea

Korea Trade and Investment
(bi-monthly magazine)
Tel: 3460-7524~6 Fax: 3460-7940
Address: Rm. 1504 Korea World Trade Center
300-9, Yomgok-dong, Seocho-ku,
Seoul, Korea 137-170

Travel Trade Journal
Tel: 744-4010 Fax: 745-3232
Address: 3/F, Christian Women's Mission Center
1-1, Yeonji-dong, Chongno-gu, Seoul, Korea 110-470

Pricing a Product

U.S. goods have a reputation among Korean buyers for high quality and performance; yet Korean manufacturing companies tend to be very price conscious and often regard U.S. input products as too expensive. In an export-oriented economy where finished products must be able to meet keen competition in the world market, many local manufacturers believe that it is essential to buy raw materials and equipment from the cheapest source, even at the expense of quality. Goods from Japan and elsewhere are frequently considered to be better buys, even though their quality and durability may be no match to that of the American item. In addition, Korean manufacturers look to offsetting labor wages with lower cost input manufactured goods. However, as Korea continues to move toward higher-end and manufacturer-branded exports -- as well as to combat perceptions of poor quality control of certain Korean products in recent years -- the precedence given to price as a buying factor may be somewhat tempered. Another characteristic of Korean price considerations is the tendency to bundle and often undervalue the "software" (engineering and other services components), particularly in the procurement of major systems.

U.S. exporters might consider (1) adapting their products to Korea by marketing basic units; (2) taking into account in their price quotations, as their competitors do, the repeat business generated by the demand for spare parts and auxiliary equipment; and (3) most importantly, emphasizing and selling the idea that superior quality of U.S. manufactured input products ultimately results in lower production costs.

Sales Service/Customer Support

In determining success over time for U.S. suppliers in the Korean market, sales and after-sales service (commonly abbreviated by Koreans as “A/S”) rank just after the selection of the appropriate product and right price. Just after the Korean War, when foreign exchange was exceedingly scarce, Korean plant operators learned to rely on their own resources or on the many small machine shops to service machinery. The tradition of self-reliance and improvisation remains. However, with heavy competition among foreign suppliers in the Korean market, servicing has become a much more important part of selling.

Private traders and offer agents often hire in-house engineers available to install equipment. For specialized installations, however, the best sources of assistance include resident and offshore foreign engineers, in coordination with local engineers, whose services are available for contract.

Japan's proximity to Korea (not to mention Asian business cultural affinities which transcend deep political animosities) allow already stiff competitors from that country to send teams of specialists at less cost and time to offer skilled advice in installation, maintenance and repair. U.S. firms should consider establishing regional servicing facilities that can effectively service and support equipment sold in Korea. Short of that, the emphasis given recently by some American firms on training personnel, often through programs in the United States, has proven beneficial.

Selling to the Government

The purpose of the World Trade Organization’s Government Procurement Agreement (GPA) is to establish non-discriminatory procedures for the procurement process so that a maximum number of qualified suppliers can fairly compete. The GPA defines steps to be followed regarding qualification of suppliers, publication, opening and award of tenders, and specifies minimum bid deadlines. It also limits circumstances under which open and competitive tendering procedures may be waived, such as cases of extreme urgency or follow-on procurement of spare parts. The GPA strives for greater transparency by requiring Korea and other signatories to publish laws, regulations, and detailed statistics regarding government procurement. The Agreement also requires procuring entities to make public basic information about contract awards, including (if requested and if not deemed contrary to the public interest) an explanation of why a supplier failed to qualify or was disqualified from competing on a bid, why its tender was not selected, or the reasons why the winning tenderer was selected. Another novel feature about the GPA is that it establishes bid challenge procedures in cases where a supplier believes a procuring entity has breached the Agreement. While such procedures have yet to be tested in Korea’s case, they have been successfully used in other GPA signatory countries to the benefit of U.S. suppliers.

Korea began implementing the GPA on January 1, 1997. In its accession offer, Korea agreed to cover procurements valued over certain “threshold” amounts made by Korean central government agencies, their subordinate entities, Korean provincial and municipal governments, and some two dozen government-invested companies. In addition, procurement of services--including construction services--by covered Korean entities is included. Other features of the GPA for Korea include a prohibition against offsets as a condition for awarding contracts on covered procurements, and a provision requiring procuring entities to allow suppliers to pursue alleged violations of the Agreement through GPA-defined bid challenge procedures. Accordingly, the Korean Ministry of Finance & Economy (MOFE) has established an International Contract Dispute Settlement Committee to deal with any challenges by foreign suppliers that Korean procuring entities have not complied with GPA provisions.

The annexes to Korea's accession document specify certain thresholds, below which GPA rules do not apply. Thus, the threshold for Annex 1 (central government) entities for supplies and services is approximately $180,000, and for construction services approximately $7 million. Thresholds for supplies/services and construction services are considerably higher for Annex 2 (sub-central government entities) and Annex 3 (government-invested corporations). Korea also specified certain categories of purchases that would be exempt from GPA coverage altogether, including procurement related to national security and defense, Korea Telecom's purchases of telecommunications commodity products and network equipment, procurement of satellites, and purchase by the Korea Electric Power Corporation (KEPCO) of certain equipment related to electrical transmission and distribution.

The Supply Administration of the Republic of Korea (SAROK, formerly the Office of Supply or OSROK) is responsible for the purchase of goods and incidental services required by central and sub-central government entities, government construction contracts and related services, and stockpiling raw materials. Not all GPA-covered procurement is handled by SAROK. In the case of Korean government-invested corporations (listed in Annex 3 of Korea's accession agreement), procurement is handled in-house, with these entities following the same GPA rules. Thus, tendering under open, formal procedures is required.

U.S. suppliers are required to register in advance with SAROK (or any other procuring entity), which maintain lists of pre-qualified suppliers for given materials, equipment and services. Invitations to bid are announced 40 calendar days in advance of the bid deadlines. As required by the GPA, the procuring entity must publish information on bid opportunities in at least two sources: the daily newspaper Seoul Shinmun (daily newspaper) and the Korean Government Gazette. While these sources are published in the Korean language, any given tender announcement must be accompanied by a summary in English, including the subject matter of the contract, the deadline for submission of tenders, and the address and contact point from which full documents relating to the contracts may be obtained. The tender announcement must contain a statement that the bid is covered by the GPA.

While SAROK features tender information in English on its internet home page at http://www.sarok.go.kr, other procuring entities only sporadically publish information on their respective web sites (if available) and the information is not always timely. While not required in order for foreign firms to be eligible to bid on Korean Government contracts, any foreign firm with local representation tends to have a competitive advantage on Korean tenders, since it can better track tender notices, arrange for translation, and ensure that bids are properly submitted.

Protecting your Product from IPR Infringement

The protection of intellectual property rights, with regards to patents and copyrights and their policy implications, is further addressed in Chapter VII (Investment Climate). For the purposes of this chapter on marketing U.S. products and services, however, the protection of a valuable marketing tool, such as a trademark, is addressed in this section.

With very few exceptions, most U.S. companies encountering problems in the intellectual property rights (IPR) area or wishing to register their copyright, trademark, or patent engage the services of an attorney firm (a list of law firms in Korea can be found at the end of this chapter). U.S. companies can seek trademark and patent registration from the Korea Industrial Property Office (KIPO). Generally speaking, under international law, copyrights do not have to be registered in order to be protected; however, like in the U.S. where copyright registration is possible, registration is also possible in Korea with the Ministry of Culture and Tourism. Enforcement of legally registered copyrights, trademarks, and patents are under the jurisdiction of the Prosecutor's Office in Korea.

If a U.S. company wanted to see if their trademark were registered without authorization, they would have to employ the services of a qualified Korean attorney because the Korean Industrial Property Office (KIPO), the equivalent to the U.S. Patents and Trademarks Office, does not directly take individual company requests in practice. Rather, with limited resources, KIPO only takes such requests from established Korean law firms who are familiar with the appropriate contacts and more importantly, the technical process of registration. In addition, if a U.S. company wanted to pursue legal avenues in the Korean legal system or in the KIPO Trial Board System, the intricacies of Korean IPR law in addition to the immense paperwork and documentation needed to be completed and compiled in the Korean language can be a daunting task for a U.S. firm without full time local presence and without contacts in the Korean government. Hence, in order to attempt to remedy most IPR problems in Korea, an effective local attorney is a key asset.

One of the most frequent IPR problems facing U.S. businesses in Korea is trademark protection. Unlike the trademark registration system in the U.S. which is based on “first commercial use” or “first intent to use” the trademark registration system in Korea is based on “first-to-file,” or more accurately, first to successfully register with the Korea Industrial Property Office (KIPO). If a U.S. company is fortunate enough to have the foresight to consider entering into the Korean market, and no one has yet filed to register the same or similar trademark in Korea, it is highly advised that the U.S. company register its trademark first before another unauthorized party registers it. The company will save a lot of time, energy, resources, and legal fees in the long run. In order to successfully register a trademark, hiring a qualified local attorney who is familiar with registration procedures is a must. To have maximal effect using this prevention strategy, the company should be prepared to register the trademark in each product class category which is applicable for the product(s); should the trademark be challenged, protection is not generally provided under the Korean legal system if the company does not register in the pertinent particular product class category. Again, U.S. companies should be the first to file their trademark in Korea, and file in every applicable class category.

During the course of registration, information on registration pending applications becomes initially available from publications of the Korea Invention and Patent Association two to three months after the initial application. Official announcements of pending applications are published for comment by KIPO in its Official Gazette. Generally, U.S. companies hire a local attorney and ask the firm to look into the status of the company's trademark in Korea. Sometimes, the U.S. company discovers from the above publications that an unauthorized party has already been filed and is awaiting registration. In this case the company is eligible to file an **Opposition Action Petition** during the course of a registration, but before a registration is successful. In an opposition action petition, the company states their case as to why the unauthorized party's application should be rejected during the course of initial review. After reviewing the opposition action petition, KIPO can decide either to proceed to successfully register the unauthorized trademark application, or, KIPO can decide to reject the trademark application, enabling the U.S. company to clear the path for the American company's successful registration at a later date.

If the American company is not yet fully engaged in the process of registration but plans to enter the Korean market in the distant future, then the company may at least want to monitor KIPO's public notices to see if someone tries to register the mark. If the company cannot monitor the situation from America, then the U.S. company should consider hiring someone in Korea, like an attorney, who can.

The March 1998 Trademark Act includes a new provision to increase the possibilities of a successful action. It provides KIPO, grounds to reject a third-party application of the same or similar trademark application if KIPO is convinced that the registration is done in "bad faith." Even if an unauthorized party has filed for a U.S. company's trademark, hopefully, the capable trademark examiner at KIPO will have done his/her homework and have the knowledge to reject a famous/well-known trademark application.

As capable as trademark examiners can be, some trademark registrations by unauthorized registrants have slipped through the cracks and have been successfully registered. A registration by an unauthorized party is particularly unscrupulous in cases where the party registers the mark without intent to use the mark in a "predatory registration"....i.e., knowing that the mark belongs to another company, the unauthorized applicant registers the mark in hopes of cashing in when the legitimate trademark owner tries to enter the Korean market.

In this case, because the Korean legal system is based on first to file, and because the unauthorized registrant successfully registered with KIPO, the unauthorized registrant is the legal owner of the trademark in Korea ---even if it is the U.S. company's mark and the American company has been using it in international commerce for the past several years! Provided that the mark was not used in commerce by the successful but unauthorized registrant in Korea for the past three years, the company can file a **Cancellation Action** petition to cancel the existing mark. If the cancellation action is successful and there is no appeal, the company can immediately file to register the trademark with KIPO, therefore, reclaiming the trademark.

The U.S. Patents and Trademark Office (USPTO) has an efficient system whereby it is empowered to eliminate such "deadwood marks" (i.e. trademark registrations which are not commercially used). In the U.S. system, all successful registrants are required to submit an Affidavit of Use between the fifth and sixth years of registration. If the Affidavit is not filed or there is no evidence of commercial use, USPTO has the power to automatically de-register the registration. Such a system in Korea would help to alleviate existing problems with predatory registrations.

The most onerous scenario takes place when an unauthorized trademark application has been successfully registered with KIPO, and the party is actually using the U.S. company's trademark in commerce in Korea. In this case, the legal remedy available is an **Invalidation Action**. An invalidation action petition can be filed anytime during the course of the 10 year life of a trademark, provided the trademark is actually being used by the unauthorized registrant. The American company's petition would outline why the unauthorized trademark owner's registration should be voided (invalidated), i.e. that the American company is the legitimate and original trademark owner, and that consumers know the trademark to be associated with the U.S. company.

If the company follows either the invalidation or cancellation action routes, the burden of proof lies with the petitioner. U.S. companies should be prepared to provide all kinds of documentation showing commercial use (include samples of the product and show the uniqueness of the trademark and product); to substantiate financial investment in advertisements (include advertisements in every way, shape, or form); even to provide the results of a survey conducted to show that the brand name is recognized by the public at large in Korea and that the company is the source of the legitimate goods touting the trademark.

Provided that the company and their attorneys put forth a convincing argument with meticulously documented details as to why the company is the legitimate trademark owner, the company has a good chance of winning the case before the KIPO Trial Board. However it may not be over as cancellation and invalidation actions have an appeals process from the KIPO Trial Board to the Korean Patent Court and finally, to the Supreme Court of Korea. The rule of thumb for trial date is first come, first served; petitions are filed by date with the trial dates occurring in order of the date of petition.

Unlike the case of a successful cancellation action where the company may file for the trademark immediately with KIPO, in the event an invalidation action is successful and there are no appeals, the U.S. company cannot officially file to register the trademark until one year has passed from the invalidation action date. However, U.S. companies can seek enforcement measures from the date of invalidation of the Korean registration.
Suffice it to say that the above means are legal means. There is always the possibility of settling out of court. And, because of the lengthy time it takes to go from the KIPO Trial Board to the Korean Patent Court, all the way up to the Supreme Court of Korea, some companies just cannot wait that long to re-claim their trademark. Time is money. Four years or more is not unheard of for a final decision using the legal process, and even then, there is no guarantee that the U.S. company would win. Because the opportunity cost of not entering the lucrative Korean market is so great, some companies have opted to settle out of court, i.e., to buy their own trademark from the unauthorized (but legal) registrant for use in the Korean market. However, some companies have strictly limited themselves to legal battles based on moral principle; in either case, good legal counsel is an absolute must. Ultimately, the decision is up to the U.S. company with good legal counsel as to how to proceed.

When registering for a copyright, trademark or patent, US companies, should maintain control of their intellectual property, even if they request their Korean agent to do the processing. This control is particularly relevant should the Korean-American partnership dissolve. In such previous cases where the Korean agent maintained control of the intellectual property, long, costly legal battles have ensued. The legal system is structured on an appeals process which could take at a minimum three to four years in the courts should a case go to the Supreme Court of Korea or to the Supreme Civil/Criminal Court. Again, even then, there is no guarantee that the US party would win. Hence, to avoid such legal disputes and hefty legal fees, US companies are urged to do their due diligence when choosing a potential Korean partner.

Need for a Local Attorney

Although the industry is in the process of liberalization, the legal services sector is presently closed to foreign firms. The sector was partially liberalized on January 1, 1997 to allow foreign lawyers who pass the judicial exam (in the Korean language, only) to practice law in Korea. For the time being, only Korean law firms are allowed to be established, and foreign lawyers are technically not allowed to practice law in Korea. However, an increasing number of international attorneys are hired as consultants by Korean law firms, and many are essentially practicing law with the exception of a final approval signature which must be completed by a Korean attorney. It is astounding that for a population of nearly 44 million people, the present Korean examination system allows less than a thousand newly graduated law students a year to enter into the ranks of practicing law. The Korean government is working to liberalize this sector by allowing more graduates to enter into the ranks. However, as Korean law firms enjoy a comfortable industry monopoly, they generally oppose the liberalization of this sector to foreign competition which may drive legal fees down and provide more choices for Korean and foreign consumers.

Though there is a market for legal services regarding domestic matters, a large scope of practice by Korean law firms focuses on international business and transaction. Most experts advise engaging a local attorney before making major business decisions in dealing with Korean companies. The legal advice that Korean firms with international experience can provide can be very important. In addition to advice on structuring deals or arranging contracts, Korean law firms are usually well connected into the power structure and have extensive contacts in the government ministries whose approval often means life or death to the foreign company.

Although it is important to have legal representation when a business in Korea reaches even a modest level of complexity, it is important to remember two things. First, the Korean law firm's capabilities will go well beyond strictly legal work and will likely include functions more often performed by consultants or public relations firms in the United States. Second, although major Korean firms have extensive and excellent contacts with the Korean bureaucracy, for anyone planning long term business involvement in Korea, it is often useful to establish direct contacts with the officials who oversee any given industry.

List of Major Law Firms in Korea

*(*Note: ALL lists in this Country Commercial Guide are provided only to assist U.S. companies or individual investors to identify companies in Korea who may be able to meet the specific needs of U.S. companies. The lists are not meant to be an exhaustive one, nor is it intended that inclusion in the list be construed as a U.S. Embassy endorsement or recommendation of the companies so listed. The Department of Commerce and the U.S. Embassy assume no responsibility for the professional ability or integrity of the persons or firms whose names appear in the lists given below. The companies listed below are arranged in alphabetical order according to category, and the order in which they appear has no other significance.) (Note: Telephone dialing information when calling from outside of Korea: 82 is the country code for Korea, followed by 2 which is the city code for Seoul)*

Aram International Law Offices
6th Fl., Daejeong Building, 51-7, Banpo-dong, Seocho-ku, Seoul
Tel: 592-0892; Fax: 596-6081

Bae, Kim & Lee, P.C.
7th - 11th Fl., Hankuk Tire Building, 647-15, Yuksam-dong, Kangnam-ku, Seoul
Tel: 3404-0000 Fax: 3404-0001

Central International Law Firm
5th Fl., Korea Re-insurance Bldg., 80 Soosong-dong, Chongro-ku, Seoul
Tel: 735-5621/6; Fax: 733-5206/7

Chin, Ahn, Ha & Seo
8th Fl, Il-Heung Building, 1490-25, Seocho-Dong, Seocho-Ku, Seoul
Tel: 586-2240; Fax: 586-3184

C.J. International Law Offices
8th Floor, Dae Kyung Bldg., 51-5, Banpo 4-dong, Soecho-ku, Seoul
Tel: 736-0145; Fax: 3476-5995

First Law Offices of Korea
275, 3th Fl. Dongwonsanup Building
Yangjae-dong, Seocho-ku, Seoul
Tel: 589-0001; Fax: 589-0002

Hwang Mok Park & Jin Law Offices
9th Fl., Daekyung Building, 120, 2-ka, Taepyong-ro, Chung-ku, Seoul
Tel: 772-2700; Fax: 772-2800

Kim & Chang Law Offices
Seyang Building, 223, Naeja-dong, Chongro-ku, Seoul
Tel: 737-4455; Fax: 737-9091/3

Kim, Chang & Lee
9th Floor, Daeil Building, 43 Insa-Dong, Chongro-ku, Seoul 110-290
Tel: 397-9800 Fax: 725-8727

Kim, Shin & Yu
12th Fl., Leema Bldg., 146-1, Susong-song, Chongro-ku, Seoul
Tel: 735-5822 Fax: 739-6606, 739-6182

Law Offices of Kim, Chang & Lee
9th Fl., Daeil Building, 43, Insa-dong, Chongro-ku, Seoul
Tel: 397-9800; Fax: 725-8727/8

Law Offices of Lee & Ko
17th & 18th Fl., Marine Center Main Bldg., 118, 2-ka, Namdaemun-ro, Chung-ku, Seoul
Tel: 753-2151; Fax: 753-0373/0374/0375

Shin & Kim
Samdo Bldg., 4th Fl., 1-170, Soonhwa-dong, Chung-ku, Seoul
Tel: 316-4114; Fax: 756-6226

Shin & Shin: Suite 1913 Champs Elysees Center Building
#889-5, Daechi-dong, Kangnam-Ku, Seoul 135-280
Tel: 565-6300; Fax: 565-7400

Yim, Kim, Kang, Lee, Cho & Partners:
8th Fl., Poong Lim Bldg. 823-1
Yeoksam-dong, Kangnam-ku, Seoul
Tel: 553-1246 to 1250; Fax: 553-0990 or 0987

Yoon & Partners: Suite 831,
Korea Chamber of Commerce & Industry Bldg.
45, Namdaemunro 4-ka, Chung-ku, Seoul
Tel: 773-0161; Fax: 773-4947; 773-4948

CHAPTER V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Best Prospects for Non-Agricultural Goods and Services

Note: The Best Prospects for Non-Agricultural goods and services are ranked based on a standard criterion for all Country Commercial Guides throughout the world. The industry sectors are ranked based on estimated growth, in dollar value, of U.S. exports to Korea over the coming year (i.e., 1999(E) figures minus 1998(E) figures)

Please note that the statistical figures are unofficial estimates. In addition, the 1999 estimated exchange rate used is not necessarily a forecast of the average rate for 1999, but only the rate at the time of publication.

++

Sector Rank: 1
Name of Sector: Transportation Services
ITA Industry Code: TRN

Comments:
The Korean transportation market for inland trucking, maritime, aviation and railway services grew by more than 16 percent annually between 1990 and 1997. In 1998, due to Korea's economic difficulties, the transportation services market grew only 6.1 percent. In accordance with the World Trade Organization (WTO) agreement, the Korean market is now opened for greater foreign firms to provide the above-mentioned services. Seventeen foreign freight forwarders, including seven U.S. companies (such as UPS), three Swiss firms, and two Italian firms are registered with the Korean Ministry of Construction and Transportation to provide multi-modal transportation services in Korea.

The Korean government is also planning to make additional investments in transportation infrastructure projects that were started through joint Korean and foreign investment. These major projects include the development of ports, airports, roads and railways, the modernization of cargo handling systems, the expansion of the current cargo terminals at sea/airport terminals, construction of integrated freight terminals (IFT) and the establishment of inland container depots (ICD) in major Korean cities. Additionally, it is expected that there will be continued direct investment by foreign firms in advanced transportation services and management technologies.

The most promising subsectors (US $ millions):
- Inland Transportation Services:15,706
- Maritime services: 14,830
- Aviation Services: 3,861
- Railway Services: 1,878
- Related services: 1,742

Statistics (US$ millions)		1997	1998	1999(E)
A.	Total Sales	23,803	24,390	29,590
B.	Sales by Local Firms	33,470	39,950	41,900
C.	Foreign Sales by Local Firms	15,491	22,692	21,181
D.	Sales by Foreign-owned Firms	5,824	7,132	8,871
E.	Sales by U.S.-owned Firms	2,624	3,729	4,660
F.	Exchange Rates	951	1,400	1,200

The above statistics are unofficial estimates. E=Estimated.

++

Sector Rank: **2**
Name of Sector: **Electrical Power Systems**
ITA Industry Code: **ELP**

Comments:
Korean energy consumption decreased as a result of the economic slowdown, implementation of the IMF program, and the devaluation of the Korean won in 1998. Korean power demand fell by 3.8 percent during 1998 compared with 1997. As a result, KEPCO postponed the construction of previously planned power plants in 1998. However, power demand is expected to increase in 1999 by approximately 5 percent based on an estimated 1999 GDP growth of 2 percent. Given the current projected GDP growth rates of 4.5 – 5.0 percent, we expect Korean power demand to increase further. Accordingly, KEPCO has budgeted $3.2 billion for power plant construction and will resume the construction of the previously postponed power plants in 1999 through U.S. and Japanese Exim financing. Based on Korea’s 1998 Long-term Power Development Plan (LPDP), KEPCO plans to increase the country’s power generation capacity to 80,830 MW by building 117 new power plants with a combined capacity of 51,590 MW by 2015. This will almost double the total Korean power plant capacity to meet future electricity demands.

While these projects are important, of greatest significance, is the government's announcement to liberalize the power generation industry. The proposal to restructure KEPCO is to divide KEPCO into power generation and distribution sectors in order to introduce and promote competition in the wholesale and retail power markets. KEPCO will first be broken-up into five to seven power generation subsidiaries privatized by 2002. The distribution sector will be split into several companies by 2002 in order for electric power to be sold at the retail level after 2009. In the transmission sector, a transmission company will be established to provide the following functions: market operator, system operator, asset management, and trade settlement.

KEPCO is expected to retain the transmission company and will continue to monopolize the transmission sector. This governmental policy is providing immediate opportunities for U.S. companies to enter into the Korean power generation industry. As the first step of this privatization program, the Korean government successfully issued $750 million worth of Depository Receipts (DR) in March 1999 to sell 5 percent of its 58.2 percent holding in KEPCO. Furthermore, it plans to sell one of its affiliate power generation companies that consists of four to six power plants, and is estimated to be worth $3-$5 billion. The sale will be conducted through international competitive bidding in 1999. KEPCO will also sell two combined cycle power plants located in Anyang and Puchon in 1999. As another element of the KEPCO privatization process, KEPCO plans to sell shares of their subsidiaries by 2001 and their affiliate firms by 2002. The amount of power generation equipment purchased by KEPCO and the private sector significantly decreased in 1998, however, it is expected to steadily increase for the next years.

The most promising subsectors (U.S. millions):

Nuclear Power Generating Equipment	$2,250
Thermal Power Generating Equipment	$1,350
Heavy Electrical Equipment	$4,600

Statistics (US millions)		1997	1998	1999 (E)
A.	Total Market Size	9,400	4,700	6,300
B.	Total Local Production	4,500	2,900	3,800
C.	Total Exports	1,800	1,500	1,700
D.	Total Imports	6,700	3,300	4,200
E.	Imports from U.S.	2,500	1,600	2,000
F.	Exchange Rates	951	1,400	1,200

The above statistics are unofficial estimates. E=Estimated.

++

Sector Rank: **3**

Name of Sector: **Retail Services**
ITA Industry Code: **GSV**

Comments: Since Korea's economy is recovering faster than expected by local and overseas economic research institutes, the domestic retail industry is expected to grow by 9.7% to 110.5 trillion won ($92.1 billion) in 1999. Gross revenues for the Korean retail industry, which includes department stores, discount stores, supermarkets, convenience stores and conventional markets, reached 100.7 trillion won ($71.9 billion) in 1998. Discount stores expanded in the market over the past year and experts expect annual growth of 40% in 1999 to 7 trillion won. This marks an increase of 2 trillion won more in sales than were recorded in 1998.

By comparison, department stores, which comprise 11.3% of the retail industry, expect revenues of 12.5 trillion won ($10.4 billion). This figure indicates a dramatic 9.7% over year-end 1998 figures and a significant recovery from the negative growth of 9.8% recorded during the height of the economic crisis. However, 1999 began with efforts to increase the overall price competitiveness of products sold by the major department stores. They were successful in attracting back large numbers of bargain-hunting consumers, with more discretionary income. As a result, industry specialists expect that department stores' sales revenues will soon surpass pre-economic crisis sales figures in 1999, but still lag behind the tremendous success being enjoyed by the discount stores.

The most promising subsector (US$ millions):

Discount Store s $5,800

Statistics (US$ millions)	**1997**	**1998**	**1999(E)**
A. Total sales	108,608	71,941	92,067
B. Total sales by local firms	108,074	71,257	90,950
C. Total foreign sales by local firms	-	-	-
D. Total sales by foreign-owned firms	534	683.4	1,117
E. Total sales by U.S.-owned firm	-	343	572
F. Exchange Rates	951	1,400	1,200

Note: The total sales by foreign-owned firms mean the sum of total sales of Makro (U.S.A), Carrefour (France) and Costco Wholesale (U.S.A). The 1997 statistics include Price Club/ Shinsegae sales under "sales by local firms". Korea Makro is a subsidiary of Wal-Mart Stores.

The above statistics are unofficial estimates. E=Estimated.

++

Sector Rank: **4**
Name of Sector: **Aircraft and Parts**
ITA Industry Code: **AIR**

Comments:
Korea has postponed several major commercial and defense projects as a result of the economic downturn. However, since 1994, ROKG has invested more than US $2 billion in the aircraft and aircraft parts industry especially in manufacturing facilities, assembly lines and test facilities. Korea also has designated the aircraft industry as one of its primary industries and plans to develop this industry in the coming century, through investments by major Korean conglomerates such as Samsung, Hyundai and Daewoo in a single company under the banner of the Korean Aerospace Industry (KAI). Korean Air Lines has not indicated that it will join the new firm at this time. According to the consolidation plan, the KAI will be established in July 1999. All current commercial aerospace projects, which are currently handled separately by Samsung, Hyundai and Daewoo will be integrated under the KAI. In addition, as an incentive to join the new firm, ROKG will grant KAI exclusive rights for the government's future military logistics and aerospace projects. The ROKG also expects KAI to establish more effective research and development programs geared towards manufacturing all fundamental parts and materials, based on the combined resources and technologies of the three merged companies. In addition, Korea plans to design its own Multi-Purpose Satellite by 2003, as well as manufacture a low-orbital satellite, with its own launching system, by 2005.

For foreign companies, Korea's new plan for its aerospace industry is expected to result in demand for long-term procurement contracts, technical cooperation agreements, licensed production contracts, and joint ventures. However, for all other fighters being considered (except the FX, Korea's future fighter program), the government has decided to import all the technologies solely from the U.S. and will discuss details of technology transfer with the USG. Presently, no more details about the fighters, including type, category or definition, have been determined.

Additional business opportunities for foreign suppliers are expected when Phase 1of the Inchon International Airport (IIA) opens to the public in January 2001. This will create additional demand for aircraft parts depots and aircraft maintenance services. The Open Skies Agreement between Korea and the U.S., signed in June 1998, eventually will lead to increased demand for aircraft and parts to service expanded routes and flights in future years. Ultimately, as a result of these developments, an anticipated economic recovery and ROKG's commitment to promoting a successful aircraft industry, the aircraft and parts market in Korea shows signs of growth potential.

The most promising subsectors:
- General Aviation

- Aircraft Parts
- Helicopters
- Engines

Statistics (US$ millions)		1997	1998	1999(E)
A.	Total Market Size	2,708	997	1,751
B.	Total Local Production	753	1,112	1,194
C.	Total Exports	330	976	563
D.	Total Imports	2,285	861	1,120
E.	Imports from the U.S.	1,744	715	930
F.	Exchange Rates	951	1,398	1,200

The above statistics are unofficial estimates. E=Estimated.

Additional Remarks:
1. Due to the economic crisis that began in November 1997, imports were drastically reduced in 1998.
2 Total Exports in 1998 included the sales of several used passenger aircraft by Korean Air and Asiana Air Lines.

++

Sector Rank: **5**
Name of sector: **Architectural/Engineering Services**
ITA industry code: **ACE**

Comments:
Architectural/engineering services decreased from $6,750 million in 1997 to $4,410 million in 1998, a 35 % decrease. Private sector investment stagnated and many new private investment projects had been suspended during this period of downsizing and reorganization. However, Korean private sector end-users of architectural/engineering services are beginning to come into their own stage of expansion and development. It is anticipated that the market for 1999 will grow to $5,950 million, a 35 % increase and over a year earlier than forecasted. The market is expected to grow at an annual average rate of 8 % through 2002.

The import market for architectural/engineering services accounts for 40 % of the total market in Korea. U.S. suppliers dominate the local market, with an approximate 45 % share, followed by Japanese and French suppliers who maintain more than a 10 % share. The import market was reduced from $2,700 million in 1997 to $1,840 million in 1998 by 32 %. The import market in 1999 is expected to grow to $2,350 million, a 28 % increase and also over a year earlier than expected.

In the public sector's move to help the nation get out of its economic slump, the Korean government put top priority on activating the sluggish construction market this year. It plans to increase its investments in the construction industry from $62.1 billion in 1998 to $75 billion in 1999. In particular, the Korean government raised its budget for social overhead capital (SOC) infrastructure projects in 1999 by 6 % to $10.4 billion. Besides social infrastructure facilities, the government gets under way to build a total of 500,000 units of houses in 1999. A total of $10 billion in housing construction funds will be provided in 1999 by the government.

In the private sector, corporate restructuring will continue. The top ten business groups plans to merge their construction and engineering firms to become one company. The short-term private sector's market prospect does not look promising. The private sector's market is expected to start growing significantly in 2000 when the Korean economy restores growth inertia.

Statistics (US$ million)	1997	1998	1999(E)
A. Total Market Size	6,750	4,410	5,950
B. Total Local Production	6,210	4,600	6,440
C. Total Exports	2,160	2,030	2,840
D. Total Imports	2,700	1,840	2,350
E. Imports from the U.S.	1,210	920	1,100
F. Exchange Rates	951	1,400	1,200

The above statistics are unofficial estimates. E = Estimated.

++

Sector Rank: 6
Name of Sector: Security and Safety Equipment
ITA Industry Code: SEC

Comments:
The growth in the industrial safety market is affected by Korea's economic situation. However, along with the beginning of Korea's economic recovery, it is anticipated that the growth of the industrial safety market will also gradually recover. The industrial safety market includes: mechanical/chemical/biological safety products, survival products, traffic control equipment, police equipment, fire fighting equipment and facilities, alarms and detectors, rescue equipment and various system improvements and technology for various working conditions.

According to the Korean government's three year plan for industrial safety, the government has invested nearly US $480 million in various industrial safety programs, including safety management, prevention of industrial accidents, process hazard analysis and the establishment of safe equipment and facilities programs. The three-year plan calls for the modernization of industrial equipment, an increase in safety inspection technology for hazardous construction areas, manufacturing, electric, chemical, biological and radioactive sites, and accident prevention seminars and training to handle various types of industrial accidents and emergency rescue activities. In June 1999, Korea held its 31st Korea International Exhibition for Safety and Security products (KISS ’99), at the Korea Convention and Exhibition Center (COEX) in Seoul. A total of 124 exhibitors, including 35 firms from eight foreign countries (U.S., U.K., Denmark, Japan, France, Germany, Sweden and Malaysia), participated and displayed their safety and security products.

Korea is also seeking advanced technologies in other areas and has developed a master plan for implementing an Intelligent Transport System (ITS). In order to introduce new technologies and display Korea's domestic developments in this field, Korea hosted the 5th World ITS Congress in Seoul last October. More than 3,000 transport officials and ITS experts from 40 countries participated. Major highlighted ITS technologies offering export potential for U.S. firms include: advanced traffic control (ATC), advanced incident management (AIM), automatic traffic enforcement (ATE), electronic toll collection (ETC), and hazardous material monitoring (HMM) equipment.

Recently, the Geographical Information System (GIS) also emerged as a sector offering strong prospects for U.S. suppliers. The ROKG plans to invest USD 432 million through 2002 to establish the National Geographic Information System (NGIS). The Korean GIS market is attracting interest from several leading foreign GIS firms, especially in the development of software and databases for GIS. U.S. suppliers dominate the field and can expect to develop potential sales in Korea.

The most promising subsectors (US $ million):

- Industrial Safety Products	262
- Traffic Control/Safety Products	158
- Access Control Systems	95
- Airport Security Equipment	120
- GIS - related Products	216

Statistics (US$ millions)		**1997**	**1998**	**1999(E)**
A.	Total Market Size	830	927	1,110
B.	Total Local Production	601	689	820
C.	Total Exports	322	230	390
D.	Total Imports	550	468	680
E.	Imports from the U.S.	229	290	370
F.	Exchange Rates	951	1,400	1,200

The above statistics are unofficial estimates. E=Estimated.

++

Sector Rank: **7**
Name of Sector: **Pollution Control Equipment**
ITA Industry Code: **POL**

Comments:
Korean environmental market demand decreased considerably since 1997 due to the local economic downturn, consequently reducing the government's budget for environmental projects. Environmental-related total imports decreased by 40% due to the drastic Won devaluation which made foreign-sourced products prohibitively expensive. Local manufacturers offering medium-tech environmental equipment and services supplied the remaining market demand.

However, despite the country's lingering economic difficulties, Korea's President and his advisers have re-affirmed the nation's commitment to environmental clean-up and protection. The Korean environmental market is beginning to spring back in 1999.

The Korean pollution control equipment market continues to expand and there is still good potential over the medium-term for sales of U.S. environmental products, services and technology. The current market share of U.S. environmental firms among foreign competitors in Korea is estimated to account for 20 percent of the total market, second only to Japanese firms with 40 percent. Sales of many types of equipment and technical expertise, as well as joint venture manufacturing and construction projects, are the most promising avenues for U.S. participation.

Local manufacturers supply a major portion of Korea's rapidly growing market, with imports accounting for less than 40 percent of the total market. However, as a result of increased enforcement activities and greater recognition of the necessity to invest in environmental protection, demand will grow for more sophisticated equipment.

In 1999, the ROKG plans to invest 65 percent of total available funds, both public and private, for the construction of new waste water and drinking water treatment plants. Within the next few years, the market for air pollution prevention equipment will increase. Best sales prospects are automatic strainers, aerators, ozone generators, FRP chains, decanting centrifuges, water reuse systems, sludge de-watering equipment, screw-decanters, and hydrasive screw/ultra-screen systems, VOC control equipment, incinerator emission control systems & monitoring equipment, toxic air pollutants control systems, ambient air quality monitoring systems, and environmental laboratories and equipment.

The most promising subsectors (US$ millions) are:
- Air pollution control equipment: $699
- Water pollution control equipment: $757

Statistics (US$ millions)		1997	1998	1999(E)
A.	Total Market Size	8,942	3,341	4,152
B.	Total Local Production	6,259	2,339	2,906
C.	Total Exports	205	143	208
D.	Total Imports	2,683	1,002	1,246
E.	Imports from the U.S.	537	200	249
F.	Exchange Rate	951	1,400	1,200

The above statistics are unofficial estimates. E=Estimated.

++

Sector Rank: **8**
Name of sector: **Medical Equipment**
ITA industry code: **MED**

Comments:
Korea's medical equipment market was approximately $1 billion prior to the onset of the Asian financial crisis in late 1997. The subsequent economic problems faced by Korea resulted in a 45-percent decrease in the medical equipment market in 1998. Imports from the United States decreased proportionally. The medical equipment market in 1999 is expected to rebound by about 20-percent due to the better-than-anticipated economic recovery and appreciation of the won against the dollar. Readjustments to reimbursement prices under the national health care insurance program are being made in order to account for appreciation of the won. This should have a favorable impact on U.S. medical equipment imports as they will, in effect, be less expensive for Korean buyers than was the case in 1998.

The effect of the country’s economic crisis on specific types of medical equipment has differed from product to product. In general, relatively expensive durable medical equipment (e.g. MRIs and CTs) has been more adversely impacted than other types of equipment, with the market for durable capital goods shrinking by 70 to 80-percent in 1998 compared to the previous year. Comparatively, the market shrinkage for expendable medical supplies was only 20 to 30-percent over the same period.

Imports represent 70-percent of the total medical devices market in Korea. Recent economic difficulties have prompted hospitals and physicians to attempt to decrease costs by purchasing locally manufactured products, which are less expensive, but of lower quality than imports. While this has been possible for some basic medical supplies, it has not been so for technology-intensive equipment, which is almost exclusively manufactured abroad.

U.S. companies account for approximately 40-percent of Korea's medical equipment imports, making the United States the largest foreign supplier. European and Japanese firms are major competitors, accounting for much of the remaining import market. U.S. companies' share of the market should increase further once Korea fully implements a new regulatory system that recognizes international quality standards (e.g. U.S. GMP and ISO) expected September 1, 1999.

Products that present the best prospects for export to Korea include medical sterilizers, rehabilitation equipment, respiration equipment, orthopedic joints, diagnostic ultrasound scanners, magnetic resonance imaging systems, patient monitors, computer tomography scanners, catheters, artificial kidneys and dialysis machines, suture needles, general surgical instruments, operation tables, ophthalmic equipment, endoscopes, intraocular lenses, and artificial heart valves.

Statistics ($ millions)		1997	1998	1999(E)
A.	Total Market Size	947	515	620
B.	Total Local Production	422	362	430
C.	Total Exports	180	213	250
D.	Total Imports	700	366	440
E.	Imports from the U.S.	279	149	180
F.	Exchange Rates (won/$)	951	1,400	1,200

The above statistics are unofficial estimates.   E=Estimated.

++

Sector Rank: 9
Name of Sector: Drugs and Pharmaceuticals
ITA Industry Code: DRG

Comment:
The Korean pharmaceuticals market approached $9 billion, making it the 10th largest in the world, prior to the onset of the Asian financial crisis in late 1997. Although the market has since decreased by about 40 percent, the pharmaceuticals sector has been less adversely affected than other sectors due to the inelastic importance of health care.

Pharmaceuticals imports represent only 13-percent of the total market. Local industry dominates the market for generic and over-the-counter (OTC) drugs. Among foreign suppliers, U.S., Japanese, and European pharmaceutical companies are most active. Korean pharmaceuticals firms are generally not research intensive and therefore less innovative than their foreign counterparts. This gives multinational research-based pharmaceutical firms a significant advantage over Korean firms in supplying new cutting-edge drugs.

Although the growth rate for pharmaceuticals imports has exceeded that of total Korean imports for the past several years, foreign firms still face significant disadvantages. These include, for example, rigorous import approval requirements and lack of coverage for many foreign drugs by the Korean national medical insurance system.

Korea's health care system is undergoing a number of major changes, which will present foreign firms with both opportunities and challenges. For example, imported pharmaceuticals will be included in the list of reimbursable drugs under the national health insurance system as of August 1, 1999. This should increase transparency and predictability for foreign exporters. However, the Korean government is pressuring firms that would like their products to be listed and reimbursed to lower their prices.

Another major change in the health care system is that the Korean government plans to separate the prescribing and dispensing of drugs in 2000. Currently, pharmacists are able to both prescribe and dispense drugs. The separation of these functions could cause the market size to either stagnate or shrink, as the new policy will prevent patients from buying drugs without a doctor's prescription. Pharmacists may be allowed to substitute Korean generic drugs for prescribed name brand foreign drugs, adding the possibility of local substitution should the margin be higher on local drugs.

As Korea's economy continues to improve, Korea will become an increasingly important market for foreign suppliers. U.S. firms are advised to stay actively engaged in the market in order to be well positioned to take advantage of new opportunities as they unfold.

Statistics ($ millions)		1997	1998	1999(E)
A.	Total Market Size	8,213	5,236	6,283
B.	Total Local Production	7,765	5,128	6,153
C.	Total Exports	509	575	690
D.	Total Imports	957	683	820
E.	Imports from the U.S.	138	100	120
F.	Exchange Rates	951	1,400	1,200

The above statistics are unofficial estimates. E = Estimated.

++

Sector Rank: **10**
Name of sector: **Telecommunications Services**

ITA Industry code: TES

Comments:
Opportunities will unfold over the next several years for U.S. sales of telecom services as economic restructuring and deregulation in the telecom sector accelerate in Korea. During the past few years, the Korean government has awarded several dozen national and regional licenses for newly emerging telecom services, such as PCS, TRS. CT-2, wireless data, paging and leased line facility rental. There are four common carriers competing with each other in the field of wired telephone call services in 1999 – two local call service providers, three long-distance service providers, and three international call service providers. There are also two nationwide cellular operators as well as three nationwide PCS operators.

In addition, the Korean government issued 158 licenses for new types of businesses for emerging telecom services, such as phone call resales, Internet phoning, international call-back, and in-house phoning during the January 1, 1998 – April 23, 1999 period. Korean consumers will have many choices when it comes to call carriers for long-distance calls and international calls, making use of the different promotions offered by each carrier.

The Korean government continues to open the market for new telecom services in accordance with its commitments and obligations to the WTO. U.S. suppliers enjoy significant export advantages in telecom products/services; therefore, they should benefit from Korea's rapidly growing communications service market. At present, Korea is in a recession. However, Korea should emerge over the medium and long-term stronger than ever. American suppliers are best advised to stay engaged in the Korean marketplace and keep abreast of emerging technological trends in the field. Opportunities will unfold for incremental sales of American products and services, as the country recovers from the current crisis and builds for the future. Joint venture and licensing agreements will be the key to the market.

Statistics (US$ millions)		1997	1998	1999(E)
A.	Total sales	15,439.4	12,761.5	14,477.7
B.	Sales by local firms	15,325.7	12,629.3	14,336.4
C.	Sales by foreign owned firms	113.7	132.2	141.3
D.	Sales by U.S.-owned firms	113.7	132.2	141.3
E.	Exchange Rates (US$1:Won)	951	1,400	1,200(E)

The above statistics are unofficial estimates. E= Estimated.

++

Sector Rank: **11**
Name of sector: **Education and Training**
ITA industry code: **EDS**

Comments:
The market for professional and vocational schools was liberalized in 1995. The market for higher education, including branch colleges and universities, opened completely in 1999. Through 1997, Korea's education industry grew rapidly at an annual growth rate of 10 to 15 percent due to the opening of foreign educational institutes. The American report, Open Doors (prepared by IIE), reports that enrollments from Korea continued to grow at a 15.5% rate in 1998 although the Ministry of Education expected a negative growth rate of 10 to 15% and foreign exchange payment problems were indicative of the economic downturn which reportedly forced thousands of students to return to Korea. The Ministry expects to release updated statistics in July 1999 concerning current trends. According to published reports from the Bank of Korea, tuition payments to all countries jumped a healthy 24.8% from US$ 98.1 million reported for the period Jan-Feb 1998, to US$ 122.4 million in Jan-Feb 1999. On an annual basis, 1999 remittances are expected to total between US$ 813 and $854 million. According to the Ministry of Education, Korean private tutoring expenses in 1997 reached US$10 billion. During that year, Korean families spent the equivalent of 16.1 % of the nation's per-capita GDP (or $1,548) which is three to four times more than in Japan, for example. At the same time, government expenditures for education dropped from 4.3 to 3.9 % of GDP and scholarship funds available to financially-strapped families during that period was only $78.8 million (US$ 1 = W951). However, scholarship funds are expected to double to $157 million in 2000.

At this writing, the market for cost-effective "distance learning" programs which can be conducted by satellite or internet is still in its infancy in Korea. Additionally, despite market liberalization that allowed branch campuses, schools wary of the regulatory climate and related issues have not made plans to establish campuses here.

Reflecting Koreans' enthusiasm for more sophisticated educational options, approximately 130,000 students including some 73,000 college students, were actively pursuing education and training abroad in 1998. Of that group, 44,890 students were studying in the United States, which is regarded as the most popular education destination for Koreans. Undergraduate studies attracted 17,928 students, whereas graduate degrees drew 18,957; ESL programs attracted 6,005. The Korean education market is promising and extremely competitive since other countries such as England, Canada, Australia, France, and Japan continuously conduct study fairs to attract more Korean students. The USG actively promotes the US$ 9 billion education market in Korea, the region and throughout the Americas through the highly successful STUDY USA Exhibitions and Pavilions organized by Commercial Service posts, with the active support of Embassies' Consular Sections and the United States Information Service (USIS).

Despite the initial signs of economic recovery, new college graduates are being encouraged to look abroad for training or are going back to school to pursue higher educational degrees. These students hope to re-enter the workforce with better qualifications when local firms begin rehiring in greater numbers.

For students already studying in America, President Clinton announced in 1998 that the U.S. government would offer new work-study benefits that would allow Korean students in the U.S. to support themselves while in school. President Clinton's actions will help sustain this service export, as well as greatly assist the students who continue to face financial difficulties.

The most promising sub-sectors:
- Intensive English Language Training
- Vocational Training
- Accounting
- Master of Business Administration (MBA)
- Art and Music Schools
- Summer Camps

Statistics (US$ millions)		1997	1998	1999(E)
A.	Total Sales	10,604	10,772	11,841
B.	Total sales by local firms	11,190	11,307	12,430
C.	Total foreign sales by local firms	656	603	603
D.	Total sales by foreign-owned firms	70	68	74
E.	Total sales by U.S.-owned firms	36	34	37
F.	Exchange Rates	951	1,400	1,200

The above statistics are unofficial estimates. E=Estimated.

++

Best Prospects for Agricultural Products

BEST PROSPECTS FOR U.S. FOOD & AGRICULTURE SECTOR EXPORTERS TO KOREA

Total imports of agricultural, food, fishery and forest products from the United States to Korea amounted to $2.96 billion (Korean Customs - CIF value) in 1998, down 29.4 percent from 1997 because of the economic crisis in Korea. However, imports are expected to increase significantly in 1999 as the Korean economy recovers. Early indications in 1999 show the consumer ready sector leading the agricultural comeback.

(Note: All statistics for 1999 and 2000 are estimates. E = Estimated. All statistics as listed in the below charts are quoted in Metric Tons (M/T = metric ton).

Name of Sector: Beef by-products (oxtail, feet, etc.)
HS Code: 0206 & 0504

	1997 (M/T)	1998 (M/T)	1999(E) (M/T)	2000(E) (M/T)
A. Total Market Size:	N/A	N/A	N/A	N/A
B. Total Local Production:	N/A	N/A	N/A	N/A
C. Total Exports:	0	3,147	3,300	3,500
D. Total Imports:	4,700	21,600	24,000	26,000
E. Total Imports from U.S.:	2,600	13,729	15,000	16,500

Note: Koreans like to eat beef and pork by-products such as ox tails, head, feet, tongues, livers, etc. Because of the strong demand for these products, prices are considerably higher in Korea compared to the U.S. where consumer demand is relatively low for these items. Imports of animal by-products increased steadily over the past several years, and amounted to $36.2 in 1998.

Name of Sector: Beef
HS Code: 0201 & 0202

	1997 (M/T)	1998 (M/T)	1999(E) (M/T)	2000(E) (M/T)
A. Total Market Size:	403,000	334,736	311,435	319,000
B. Total Local Production:	237,000	*257,200	181,000	180,000
C. Total Exports:	100	0	0	0
D. Total Imports:	166,000	77,536	130,435	139,000
E. Total Imports from U.S.:	83,000	38,160	73,950	79,000

Note: Estimated, boneless basis. Beef imports are subject to government-set quotas. Korea did not fulfill its beef import quota in 1998 because of the economic crisis. Imports of beef decreased by 41.6 percent in 1998 compared with 1997. Beef import quotas will increase by around 10% annually until 2001, when the market becomes fully liberalized. Declining domestic production will also necessitate greater imports in the future to satisfy domestic demand. U.S. red meat products are extremely competitive in both quality and price vis-a-vis domestic and competitor products.

==

Name of Sector: Pork
HS Code: 0203

	1997 (M/T)	1998 (M/T)	1999(E) (M/T)	2000(E) (M/T)
A. Total Market Size:	702,400	768,489	752,400	732,000
B. Total Local Production:	700,000	*808,400	770,400	780,000
C. Total Exports:	56,000	92,858	100,000	105,000
D. Total Imports:	61,600	52,947	55,000	57,000
E. Total Imports from U.S.:	6,838	5,069	5,300	5,600

Note: *Estimated. Local production is based on boneless meat, while trade numbers are based on boneless and in-bone meat combined.

Name of Sector: Citrus fruit
HS Code: 0805

	1997 (M/T)	1998 (M/T)	1999(E) (M/T)	2000(E) (M/T)
A. Total Market Size:	694,300	547,135	713,000	590,000
B. Total Local Production:	648,900	511,900	680,000	550,000
C. Total Exports:	3,300	6,265	12,000	13,000
D. Total Imports:	48,700	41,500	45,000	53,000
E. Total Imports from U.S.:	48,700	41,274	45,000	53,000

Note: Citrus imports consist of grapefruit, lemons, and oranges which come almost exclusively from the United States. Fruit is a major component of the Korean diet. Its attractiveness to consumers was most evident in 1998 when, despite a major economic downturn, consumption of fresh citrus increased. U.S. citrus is extremely competitive with local products in both price and quality. However, the tariff for oranges remains high and citrus imports, in general, encounter many phyto-sanitary and customs clearance problems.

==

Name of Sector: Processed fruits, nuts and vegetables (e.g. pickles, juices, tomato paste, peanut butter, canned fruit and vegetables, etc.)
HS Code: 2001 - 2008

	1997 (M/T)	1998 (M/T)	1999(E) (M/T)	2000(E) (M/T)
A. Total Market Size:	N/A	N/A	N/A	N/A
B. Total Local Production:	N/A	N/A	N/A	N/A
C. Total Exports:	18,600	22,473	18,600	18,000
D. Total Imports:	195,200	77,151	85,000	94,000
E. Total Imports from U.S.:	76,000	57,079	66,000	76,000

Note: Consumer-ready, high value products are in growing demand as the number of two income families increases. Consumer confidence in and a growing acceptance of western food products are increasing the demand for prepared fruit and vegetable products. The excellent reputation and quality of U.S. food products puts U.S. suppliers in a strong position to take advantage of this rapidly expanding market.

==

Name of Sector: Other prepared foods (e.g. soups, seasonings, ketchup, sauces, etc.)
HS Code: 2103, 2104 & 2106

	1997 (M/T)	1998 (M/T)	1999(E) (M/T)	2000(E) (M/T)
A. Total Market Size:	N/A	N/A	N/A	N/A
B. Total Local Production:	N/A	N/A	N/A	N/A
C. Total Exports:	64,900	90,548	95,000	100,000
D. Total Imports:	34,500	45,736	50,000	55,000
E. Total Imports from U.S.:	10,400	11,627	13,000	15,000

Note: Total imports of prepared foods into Korea reached $126.5 million in 1998. Competition is expected to be fierce among many countries. Superior quality and internationalization of tastes, and rapidly increasing demand for convenience foods make the outlook especially bright for exporters of these U.S. products. Tariffs for this category of imports are relatively low, around 8% and strong growth is expected to continue in the coming years.

Name of Sector: Petfoods
HS Code: 2309.10

	1997 (M/A)	1998 (M/T)	1999(E) (M/T)	2000(E) (M/T)
A. Total Market Size	N/A	N/A	N/A	N/A
B. Total Local Production:	N/A	N/A	N/A	N/A
C. Total Exports:	4,300	5,058	5,500	6,000
D. Total Imports:	11,900	7,144	7,900	8,700
E. Total Imports from U.S.:	10,600	6,283	7,000	7,700

Note: One feature of the growing affluence of Koreans is the trend to own pets. More consumers are turning to ready-made imported pet food such as kibble and canned products. We expect double digit growth in this market as the number of pets increases.

===

Name of Sector: Fish and Seafood
HS Code: Chapter 03 and 1604 and 1605

	1997 (M/A)	1998 (M/T)	1999(E) (M/T)	2000(E) (M/T)
A. Total Market Size:	3,257,015	2,634,090	2,634,000	2,670,000
B. Total Local Production:	3,243,725	2,834,415	2,800,000	2,800,000
C. Total Exports:	509,090	530,782	530,000	530,000
D. Total Imports:	522,381	330,457	364,000	400,000
E. Total Imports from U.S.:	62,268	54,991	61,000	67,000

Note: The demand for seafood in Korea is especially strong and supplies are short. Ongoing fishing disputes with various countries are further limiting Korea's catch. Fish imports are expected to increase significantly in the coming years in order to meet supply shortages.

===

Significant Investment Opportunities

One Stop Shopping: The Korea Trade and Investment Promotion Agency ("KOTRA") has opened its Korea Investment Service Center ("KISC") in order to provide a one-stop service system for foreign investors. The KISC advertises a comprehensive array of services including matchmaking with potential Korean joint venture or mergers and acquisition partners, arranging meetings for foreign investors with relevant governments, institutions and local companies, and supplying information and data for investment feasibility studies. KISC will also provide information on incentives for investing in Korea, a follow-up service to business after establishment, and other administrative support such as extension of the sojourn period of employees of foreign-invested companies. In addition to opening KISC, KOTRA has doubled the number of its overseas Korea trade centers from 20 to 40, and now operates 14 offices in the United States: Atlanta, Boston, Chicago, Dallas, Denver, Detroit, Houston, Los Angeles, Miami, New York, San Diego, San Francisco, Seattle, and Washington.

Stock Market, M&As, Financial Services: Beginning May 25, 1998, the Korean stock market was completely opened to foreign investors. This means that the aggregate ceiling for foreign investors is no longer capped at 55% for the stock of any individual company. Likewise, the limit for single investors is no longer capped at the 50% level. The government decided to scrap the limitations more than six months ahead of schedule in order to induce more foreign capital to enter the marketplace. At the same time, the aggregate foreign stock ceiling in state-owned companies, such as POSCO and KEPCO, will be raised to 30% from the current 25%, while the single foreign limit will increase from 1% to 3%. Additionally, restrictions on mergers and acquisitions, including hostile mergers and acquisitions, have been lifted, and foreign firms can now undertake a wide variety of financial services.

Telecommunications: The Ministry of Information & Communication advanced by two years the concession schedule Korea submitted to the WTO/GBT in February 1997. As a result, foreign entities will be able to own up to 49% of Korea's basic telecommunications service companies (except for Korea Telecom) and hold management control over the companies as major shareholders beginning in 1999. The ceiling on foreign ownership of Korea Telecom (KT) was raised from 20% to 33% on September 1, 1998, ahead of the original commitment for the year 2001. The limit on individual foreign ownership also was raised from 7% to 15% in October 1998. The government sold some of its shares in KT by issuing DR in overseas capital markets, reducing its stake in KT from 71.2% to 58.9%. The government plans to further reduce it share to 33.4% by 2001.

Energy Sector: The energy sector is being opened to a broad range of independent power producers, and the government has announced an ambitious effort to fully or partially privatize the Korea Electric Power Corporation. Overseas power plant operators are also currently vying to purchase the thermal power plants of the Korea Electric Power Corporation (KEPCO). Foreign power plant operators have been rushing to Korea since the Planning and Budget Commission (PBC), under the Office of the President, began to encourage KEPCO to sell off its thermal power plants. The PBC feels that the sale of these plants will be a means to introduce foreign capital**.** The oil refining industry and gas station sectors were liberalized on March 1, 1999, allowing unlimited foreign investment in the oil refining sector and retail gas station business. From July 1, 1999, foreigners can hold unlimited mining rights, as the 50% limit will be abolished. The Korean government's current deregulation trend is creating new opportunities for U.S. companies interested in entering the Korean energy industry. The complete liberalization of the oil refining sector, the gas station business and mining sector in Korea has been accelerated after the Korean government's request for IMF assistance since December, 1997**.** Two major local oil refineries, Hyundai and Hanwa, will be merged and the new company is soliciting foreign investors to improve their financial statement. This is one of 7 business swap projects of conglomerates for corporate restructuring.

Port Development: The Ministry of Maritime Affairs and Fisheries (MOMAF) is engaged in discussions with four major foreign shipping firms, which are interested in investing in Korea to develop and manage certain Korean ports (Inchon and Pusan ports). The opportunities for investment have developed because some Korean franchisers (previously successful bidders) are now experiencing a shortage of capital to invest in completing the projects due to the recent strength of the U.S. dollar against the Korean Won, and because of the economic downturn which has affected major conglomerates and construction firms since last November, 1997. MOMAF has indicated that it will facilitate discussions between the franchisers and potential foreign investors if the current franchisers agree to divide the projects. If MOMAF is successful, participating foreign investors can expect a reasonable return on investment, such as rights to use facilities they construct, and profits from revenues generated by hotels, commercial real estate and port usage fees. If both sides reach agreement on a specific project, MOMAF will then approve the foreign firm's investment, based upon guidelines in the Private Capital Inducement Act of Korea. As of January, 1, 1999, international ocean freight transport was fully liberalized, opening all shipping operations except for coastal shipping. To facilitate the foreign investment, the 40% equity limit on ship ownership will be abolished in October 1999, and foreign ownership and registration of Korean-flag ships will be unlimited.

Other Sectors**:** As of 1999, foreign ownership was allowed in two previously off-limits public corporations. For the Korean Tobacco and Ginseng Corporation, foreigners can own up to 25% of the shares, and the individual limit is 7%. For Korea Heavy Industries, there is no equity limit for foreign ownership. Foreigners are able to own real estate as of July 1, 1998, and to undertake a number of activities related to real estate transactions. In addition from 1999, companies in which foreign equity exceeds 51% can build factories in metropolitan areas for 20 technology-oriented sectors like computer, auto parts and telecomm. The government has also announced that it would sell some 30% of the new Inchon international airport operation to foreign investors, including foreign airlines.

Market Opening: On Jan. 1, 1999, 10 sectors were opened; eight fully and two partially. The fully opened sectors include distilling of ethyl alcohol, manufacturing tobacco, publishing of books, deep sea foreign freight transport, air transport support activities, medical insurance, workmen's accident compensation insurance, and horse racing track operation. On May 1, 1999, the gambling sector was fully opened as well. As of May 1, 1999, the market opening ratio was 99.4% with 21 sectors still restricted (7 sectors closed and 14 sectors partially opened) out of a total of 1,148 sectors. The 7 closed sectors include cattle farming, inshore and coastal fishing, wholesale of meats, radio and TV broadcasting etc. However the government has a plan to partly open those closed sectors and to widen the opening for the partly open sectors in late 1999 and early 2000.

The Government of the United States acknowledges the contribution that outward foreign direct investment can make to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. Nearly sixty percent of total U.S. exports originate with American firms with investments abroad. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the Government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, bilateral investment treaty negotiations and business facilitation programs, that support U.S. investors.

CHAPTER VI. TRADE REGULATIONS, CUSTOMS, AND STANDARDS

Even though Korea is undergoing a process of economic liberalization and deregulation, the Government of Korea still maintains a strong hands-on policy where the economy and trade are concerned. The U.S. Embassy, in addition to the American Chamber of Commerce (AmCham) in Korea, works actively to liberalize the many regulatory trade barriers which currently exist. In its annual Improving Korea's Business Climate, AmCham Korea lists the following areas of concern: market access for imported goods; accounting, advertising; aerospace and defense; agricultural/food products; automobiles; chemicals; construction and engineering, environment; financial services (banking, capital markets, consumer lending, corporate financial services, insurance); information technology, intellectual property rights; labor and employment, medical devices, pharmaceuticals; taxation; telecommunications; travel and tourism; and competitive issues affecting American companies' ability to do business abroad. Those interested in the specifics of the above issues may purchase the comprehensive book from the American Chamber of Commerce in Korea. Address: 2nd Floor, Westin Chosun Hotel, 87 Sonkong-Dong, Chung-Ku, Seoul 100-070, Korea; Tel. 753-6471; Fax. 755-6577.

Trade Barriers, Customs Regulations, Tariffs Rates and Import Taxes

Korea bound 92% of its tariff line items as a result of the Uruguay Round negotiations. Korea's average basic tariff in 1999 is about 7.9%. Duties still remain very high on a large number of high-value agricultural and fisheries products. Korea imposes tariff rates of 30% - 100% on many agricultural and horticultural products of interest to U.S. suppliers. Korea is reviewing zero tariffication discussion for nine sectors in WTO, which was transferred from APEC EVSL negotiation and six sectors in EVSL discussion under APEC forum.

Korea also maintains a tariff quota system designed to stabilize domestic commodity markets. Customs duties can be adjusted within the limit of general rate plus or minus 40% every six months. As of January 1, 1999, 57 items were selected, down from 1998's 58 items. In operating the quota rate system, the government has agreed to notify foreign business associations like AmCham when local industry recommends items for quota rate designation to the government. Korea uses "adjustment tariffs" at the four-digit H.S. code level to respond to import surges and to protect domestic producers. The system is adjusted on an annual basis. Effective January 1, 1999, Korea reduced the number of items subject to adjustment tariffs from 38 items to 29 items. Seven of the nine items were eliminated at the request of China.

In accordance with the Information Technology Agreement (ITA), tariffs on 203 types of telecommunication and information related equipment will drop to zero by the year 2000, except for 10 categories where Korea's implementation will be phased in (six by 2002 and four by 2004). Korea is also participating in the ITA - 2 negotiations to eliminate tariffs on 108 other items with a target year of 2002.

Korea has a flat 10% Value Added Tax on all imports and domestically manufactured goods. A special excise tax of 10%-20% is also levied on the import of certain luxury items and durable consumer goods. Tariffs and taxes are payable in Korean won before goods are permitted to clear customs. In accordance with the WTO dispute settlement ruling that in the case brought by the EU and the U.S., the government is working on a plan to equalize the liquor and education taxes on domestic soju and imported distilled spirits. The amendment to the law should be implemented by January 31, 2000.

Customs Valuation

Most duties are assessed on an ad valorem basis. Specific rates apply to some goods, while both ad valorem and specific rates apply on a few others. The dutiable value of imported goods is the cost, insurance, and freight (C.I.F.) price at the time of import declaration.

Import duties are not assessed on capital goods and raw materials imported in connection with foreign investment projects. Authorization to import those items and supplies designated in a foreign investment application on a duty-free basis usually accompanies the Ministry of Finance and Economy's approval of a foreign investment project. In addition, raw materials used in the production of export goods are often exempt from duty, and certain machinery, materials, and parts used in designated industries such as high-technology and aerospace may enter Korea either duty free or at reduced rates. Tariffs are zero percent on materials used for educational purposes and on computer software.

Import License Requirements/ Special Import-Export Requirements

Following a revision of the Customs Act and its Enforcement Decree, import procedures and the required documentation were simplified effective January 1, 1997. Goods entering Korea no longer require an import license (I/L) issued by a foreign exchange bank. Separate approval for payment in foreign currency is also no longer required. All commodities can be freely imported, subject to special registrations and import approvals for categories like pharmaceuticals and medical devices, unless they are included on the Negative List, which includes commodities that are either prohibited or restricted.

The Negative List is officially known as the Export and Import Notice. Fifty-four individual laws stipulate requirements and procedures for importing certain products (1,074 items, or 1% of all items) to ensure the protection of public health and sanitation, national security, safety, and the environment.

Applications for licenses to import items on the Negative List are approved on a case-by-case basis after screening and approval by the government agencies concerned, or by the relevant manufacturer’s association. Typically, health or safety related products, such as pharmaceutical and medicines, require additional testing or certification by recommended organizations before clearing customs. In addition, special items defined by the Ministry of Commerce, Industry and Energy (MOCIE) in its Annual Trade Plan (firearms, illicit drugs, endangered species, etc.) require approval by the Minister of MOCIE. In most cases, the registration process is completed by the supplier's qualified local agent. In accordance with the amendment of the Foreign Trade Act, all restrictions on trading companies were eliminated by changing from the previous approval system to a new system under which firms simply file import notifications with MOCIE.

The IMF program called on Korea to improve the transparency of its import certification procedures. The government has reviewed 54 laws and regulations to identify necessary improvements in transparency. Amendment of the relevant laws and regulations was completed in 26 of the cases. The remaining cases should be finalized with amendment of the relevant laws and regulations by the end of 1999. Among the cases still pending at the National Assembly are eliminating the requirements for obtaining permission on a category basis for importing cosmetics and for an importer to designate a local manager.

Import/Export Documentation

Customs clearance procedures were simplified by the revision of the Customs Act and its Enforcement Decree in December 1995. The import license system was replaced by the import declaration system so that an import declaration filed without defect is immediately accepted for release of the goods. With the exception of high-risk items related to public health and sanitation, national security, and the environment which oftentimes require additional documentation and technical tests, goods imported by companies with no record of trade law violations are to be released upon the acceptance of the import declaration, without customs inspection. The Korean Customs Administration's EDI (Electronic Data Interchange) system for paperless import clearance is scheduled to come on line in July 1999, and will allow importers to make an import declaration by computer, without visiting the customs house. Another noteworthy change in customs clearance effective January 1, 1999 is that goods can be released even before the filing of an import declaration and payment of tariffs. In 1999, the KCA plans to link its computer database with all the agencies dealing with exports and imports. This is supposed to expedite procedures by allowing all exchanges of documents (approval, issuing recommendation, inspection and quarantine) to be done electronically.

Import declarations may be filed at the Customs House before a vessel enters the ports, or before the goods are unloaded into bonded areas. In both cases, goods are released directly from the port without being stored in a bonded area if the import declaration is accepted.

Along with import procedures, export procedures and documentation were also simplified effective January 1, 1997. Exported goods no longer require an export license (E/L) issued by a foreign exchange bank. Exporters can file their exports notices based on their shipping documents to Korean Customs by computer at the time of export clearance. All commodities can be freely exported unless they are included on the negative list.

Temporary Goods Entry Requirements

Pursuant to Korean Customs Law, advertising material and samples of merchandise are exempt from customs duties, provided that such items are used solely for that purpose and are valued at less than 100,000 won (about $71). Some U.S. firms, however, have reported problems in receiving duty exemptions. In practice, duty-free entry of these items is left to the discretion of the customs officials at the port of entry. Valuable samples or goods for re-export may be admitted temporarily on a duty-free basis under deposit for the amount of the duty. Careful documentation and handling of samples are essential to minimize problems.

With rare exceptions, Korean customs allows free customs entry of goods brought into Korea that are hand-carried by foreign business persons (such as laptop personal computers) for use during their stay in Korea. In such a case, Korean Customs makes a note on the travelers' passport and then requires the traveler to take them out of Korea.

Goods entering Korea for exhibition purposes must be stored in a bonded area. For example, the Korea Exhibition Center (KOEX) is a bonded area. Exhibition goods will be kept without charge at KOEX during the exhibition period, after which they must be either: 1) reshipped directly out of Korea without payment of duty; 2) presented at Customs for payment of regular duty on value declared at time of entry; or, 3) transferred to the Seoul Customs house bonded storage area. Goods stored in a bonded warehouse can incur, if applicable, storage costs, customs brokerage charges, local transportation costs, and moving equipment fees.

Labeling, Marking Requirements

Country of origin labeling is required for commercial shipments entering Korea. The Korean Customs Service (KCS) publishes a list of the country of origin labeling requirements by Harmonized System Code number. Further labeling and marking requirements for specific products, such as pharmaceutical and food products, are covered by specific regulations from the Korean Government agencies responsible for these items. Korean labels, except for country of origin markings which must be shown at the time of customs clearance, are allowed to be locally attached on products in the bonded area either before or after clearance. The Ministry of Agriculture, Forestry and Fisheries has its own set of standards for markings for agricultural products. Local importers usually print Korean labels when imported quantities are not large, and can consult with the KCS as to where they can be attached to the product.

Effective April 1, 1998, the government made the following changes in relation to country of origin listing requirements: (1) defined “minimum processing” in more detail to increase transparency; (2) gave a more concrete description of when country of origin listing is required; and, (3) replaced value added reports used to determine the country of origin for six items using the Harmonized System Code Number instead.

For pharmaceuticals, all imported containers and packages must be conspicuously marked to show:
1) country of origin and manufacturers' and importers' names and addresses;
2) name of product;
3) date of production and batch number;
4) names and weights of ingredients;
5) quantity;
6) number of units;
7) storage method;
8) distribution validity date;
9) instructions for use;
10) import license number;
11) effectiveness;
12) import price and suggested retail price.

Imported food products should have Korean language labels. (Stickers may be used instead of Korean language labels, but such stickers must be in Korean. It should not be easily removable and should not cover the original labeling). Labels should have the following inscriptions printed in letters large enough to be readily legible:

1) Product name: Product name is the name of a product and the name shall be the same as what was reported to the license authority (the report authority for imported food products).
2) Product type: Product type is the minimum classification unit for standards and specifications for food et al in accordance with Article 7 of the Food Sanitation Act. If a product type is not classified, a product kind should be indicated.
3) Importer’s name and address, and address where products with defects may be returned or exchanged.
4) Manufacturing date, month and year (only designated products are subject to this category): Manufacturing date must be indicated on such products as lunch box, sugar, and liquor which is not required to carry shelf life (but liquor may not have manufacturing date if it has manufacturing number (lot number) or bottling date).
5) Shelf life: Food products should identify their shelf life stipulated by the manufacturer. If various kinds of products that have different shelf lives are packaged together, the shelf life to be labeled should be the shortest one. The shelf life for products that are subject to mandatory shelf life limits in accordance with the Korea Food Code should meet such standards.
6) Contents: Weight, volume or number of pieces (if the number of pieces is shown, the weight or volume must be indicated in parentheses)
7) Ingredient(s) or raw material(s) and the contents of the ingredient(s) (contents of the ingredients only when certain ingredients are used for the product name or for part of the product name): Excluding artificially added purified water, it should first indicate the name of the major

ingredient determined by the standards and specifications for food products in accordance with Article 7 of the Act. After that, names of at least the top four ingredients or raw materials should be indicated.
8) Nutritients: Only special nutritional foods, health supplementary foods, products wishing to carry nutritional labels and products wishing to carry a nutrients emphasis mark are subject to nutritional labeling.
9) Other items designated by the detailed labeling standards for food et al: This includes cautions and standards for use or preservation (for products which must be kept at a low temperature, such temperature should be indicated), detailed labeling requirements for canned products, radiation-processed products, etc.

Note : Labeling standards for food additives, equipment, container and packaging for food products are set separately. "Labeling Standards for Food et al" is available from the American Chamber of Commerce in Seoul.

In August 1998, the requirement to list the import prices on the label was eliminated. Retail price marking is still required for both imported and domestic products for goods sold in shops with a floor-space greater than 33 square meters.

Prohibited Imports

In principle, all commodities, subject to specific conditions, may be freely imported into Korea unless they are included on the negative list of prohibited or restricted items. The negative list is published by the Ministry of Commerce, Industry and Energy as the Annual Trade Plan (Export and Import Notice). Restricted items include firearms, illicit drugs, endangered species, etc. More important than the negative list however, are market access barriers related to imports prohibited from entry into Korea due to non-compliance with standards and/or testing as set by relevant the Korean ministries responsible for the particular industry/agricultural category. Pharmaceuticals (including over-the-counter products), medical devices, cosmetics and food products are particularly vulnerable to lengthy, cumbersome and costly testing requirements. See the "Standards" section which follows.

Export Controls

Although not a member of COCOM, Korea has observed COCOM licensing procedures since 1993. In 1995, the Korean government became a member of the post-COCOM regime, known as the "Wassenaar Arrangement." Korea is also a signatory to the Chemical Weapons Convention (CWC). Under the Foreign Trade Act, if an export control is deemed necessary for the maintenance of international peace and security, national security, or other national interests, an exporter or importer is required to obtain a certificate or permit from the head of the related administrative agency or MOCIE. The list of controlled items is published, and includes nuclear products, arms, chemical weapons, and missiles.

On its negative export list, Korea also prohibits the export of 13 items by Harmonized System 6 digit classification, including whale meat, uncut pieces of stone (granite, etc), and dog fur or skin products. In the past, any person wishing to export industrial equipment, or technical services together with industrial equipment, had to obtain approval from MOCIE. This mandatory license requirement was abolished in March 1997.

In accordance with the elimination of "gray area measures" under the WTO/Safeguards Agreement, the number of items which require export licenses was reduced from 834 items to 778 items. Around 90% of the 778 items are related to quota agreements, including textiles, and the remaining 10% are license requirements aiming at protecting natural resources and intellectual property rights.

Standards

The Korean Government adopted the ISO 9000 system (modified into the KSA 9000) as its official standard system as of April 1992, and published related regulations in September 1993. However, there are still concerns about the implementation of the commitments Korea made when it signed the GATT Agreement on Technical Barriers to Trade (the "Standards Code") in 1980. Korea seems to develop standards that effectively block imported goods by affecting only imported goods, or which are not applied in an equal manner to domestic products. In addition, the Korean government sometimes issues new regulations without using public rule-making procedures. The absence of a comment period and adequate time for industry to adjust can be a significant barrier to trade. Finally, implementation periods sometimes do not give foreign exporters sufficient time to comply, which lead to unnecessary and costly interruptions in trade. The government has indicated that it will work to address these problems and reduce these barriers. Whenever there is a change of standards, the government is required to notify the WTO's Committee on Technical Barriers to Trade (TBT).

Korean firms consider compliance with the ISO 9000 Quality Management System necessary in order to compete in the international market. There are local testing laboratories authorized to certify firms under the ISO 9000 system, so certification is locally available. In 1997, Korean companies also adopted the ISO 14000 environment management system.

Free Trade Areas/Warehouses

The government has designated several free export zones for the bonded processing of imported materials into finished goods for export. The free export zones are specially established industrial areas where foreign invested firms can manufacture, assemble, or process export products using freely imported, tax-free raw materials, or semi-finished goods. Tax incentives are provided for foreign invested firms.

The Masan Free Export Zone is located near Pusan at the southern end of the country. The Iksan (formerly Iri) Free Export Zone is located near Kunsan on the western coast. There are two industrial parks specifically for foreign firms in Kwangju and Chonan (for high technology industries), offering incentives including large discounts on land rental fees and self-contained shopping and educational facilities. To encourage foreign investment, the government reduced the minimum foreign ownership requirement from 30% to 10% for Kwangju and from 40% to 30% for Chonan in 1998. Another new industrial park solely for foreigners is planned in Daebul.

Under the Regulations on Foreign Direct Investment, which were largely revised in November 1998, any foreign investor whose investment exceeds $100 million can request designation as a Foreign Investment Zone (FIZ). This new system is aimed at attracting large-scale foreign direct investment by providing various incentives. Once designated as an FIZ, national taxes on the investment (income tax and corporate tax) are waived for the first seven years and reduced by 50% for the following three years. Local taxes (acquisition tax, registration and property tax) can also be waived for 8-15 years in accordance with a decree by local authorities. In addition, national property can be rented free of charge and financial support for infrastructure construction can be given.

For more information on these free export zones may be sent to the Director, Industrial Site and Factory Division (Tel: 82-2-500-2425, Fax: 82-2-503-9462), and for more information on Foreign Investment Zones may be sent to the Director, Foreign Investment Policy Division (Tel: 82-2-500-2535), Ministry of Commerce, Industry and Energy, Choongang-dong, Kwachon City, Kyunggi-Do, Korea.

From January 1, 1999, six separate types of bonded facilities which previously required individual licenses can be designated as a comprehensive bonded area. A Foreign Investment Zone can be designated as a comprehensive bonded area just through filing a notice which does not require approval. There is no restriction on the types of business and goods as long as those goods will not hamper national security, health and environment. The storage period is unlimited. Within the bonded area, goods can be stored, manufactured, processed, sold, constructed or exhibited without going through customs clearance.

Bonded storage facilities in Korea are under the supervision of the Collector of Customs. With the introduction of the new comprehensive bonded area, Korea has three kinds of bonded areas: 1) designated bonded areas (designated storage sites and customs inspection sites); 2) licensed bonded areas (bonded storage sites, bonded warehouses, bonded factories, bonded exhibition sites, bonded construction sites, and bonded sales sites); and, 3) comprehensive bonded area. The period for which goods may be stored was extended from three months to one year in a bonded warehouse, and from one year to the valid date of the license for a bonded factory. Duties are payable only when goods are cleared through customs. The previous 15-day storage period limit in a bonded warehouse for goods for which an import declaration was made was eliminated on January 1, 1999. Storage fees are high, and the use of a bonded warehouse to maintain inventories is limited. The storage period does not apply to the storage of live animals or plants, perishable merchandise, or other commodities that may cause damage to other merchandise or to the warehouse. The Collector of Customs bears no responsibility for goods while they are stored in customs facilities. Inquiries regarding bonded facilities in Korea can be addressed to: Director, Customs System Improvement Division, MOFE (82-2-02-5332) or Director, Cargo Division, Korea Customs Administration (Tel: 82-420-481-4114).

With the permission of the Collector of Customs, goods stored in bonded facilities may be repacked, stored, divided and combined, or repaired, provided that the nature and quality of the goods are not changed in doing so.

In addition to the Comprehensive Bonded Area designated as a Foreign Investment Zone, bonded warehouses are the facilities available in Korea to foreign companies where a U.S. exporter can store shipped goods and still maintain title until they are cleared through customs by normal import procedures. Korea's customs law specifies that any person who desires to establish a bonded warehouse shall obtain a license from the Director of each Customs Zone. Applications must include the name of the bonded warehouse, location, structure, numbers and sizes of buildings, storage capacity and types of products to be stored, and where applicable, must be accompanied by articles of incorporation and corporate register.

Special Import Provisions

Under its IMF program, Korea also agreed to advance the elimination of its Import Diversification Program, which prohibited the import of many items from Japan. Rather than the December 31, 1999 expiration date agreed to under the WTO, Korea removed 32 items from the list on January 1, 1999 and the last 16 items on June 30, 1999. Among the last 16 items were passenger cars, video recorders, color TVs, and electric rice cookers. This will make it easier for U.S. firms to import parts or equipment into Korea from Japan. However, U.S. products will have to compete with Japanese goods.

Membership in Free Trade Agreements

The Republic of Korea is a member of the Asia-Pacific Economic Cooperation (APEC) forum. The goal of the APEC as outlined in their 1994 pledge is to establish a Free Trade Area among its member countries by the year 2020. Substantive principles which are encompassed in the APEC forum include investment liberalization, tariff reduction, deregulation, government procurement, and strengthening IPR protection.

The Republic of Korea is a member of the World Trade Organization (WTO) and has signed subsidiary agreements including TRIPs (Trade Related Aspects of Intellectual Property) and the Government Procurement Agreement. In December 1996, Korea joined the Organization for Economic Cooperation and Development (OECD).

Customs Contact Information

The International Cooperation Division of the Korean Customs Administration may be able to provide assistance with general customs questions. Contact information is: Mr. Park, Sang-Tae, Director General, International Cooperation Division, Korea Customs Service based in Taejon, Tel. 82-42-481-7950, Fax. 82-42-481-7969; Mr. Lee, Jong-In, Director, Cargo Control Division, Korea Customs Service, Tel. 82-42-481-7860; Fax. 82-42-481-7869.

CHAPTER VII. INVESTMENT CLIMATE STATEMENT

A host of laws, regulations, unwritten ministerial guidance and changing policies have made for a challenging business environment in Korea. However, in an effort to reverse Korea's reputation as a difficult environment for foreign investment and to further President Kim Dae-Jung's goal to "liberalize" the Korean economy, the government has announced a series of economic reforms designed to remove unnecessary regulations and give more scope for decision making to the private sector. Due to the financial crisis and the need to attract foreign investment to restore Korea to an economic growth path, the government has made major efforts to simplify and deregulate investment procedures to improve the investment climate. Much remains to be done, however, to create a trading regime conducive to foreign investment.

Openness To Foreign Investment

The reform of Korea's regulatory regime for foreign direct investment is the object of considerable government effort, and announcements regarding changes to the legal and regulatory environment, as well as the government's policy, appear frequently. The former governing law related to foreign investment -- the 1966 Foreign Capital Inducement Act (FCIA) -- was replaced in 1998 by the Foreign Investment Promotion Act (FIPA), which went into effect on November 17, 1998. The FIPA's primary purpose is to improve the climate for foreign investment by changing or repealing regulations which hindered foreign investment, as well as provide additional tax and other incentives.

Like the FCIA, the FIPA and related regulations continue to categorize business activities as either open, conditionally or partially restricted, or completely closed to foreign investment. However, the number of sectors which still have restrictions has been considerably reduced, most recently in January, 1999 when an additional 10 industrial sectors were opened to foreign investment. Restrictions remain on only 21 industrial sectors, seven of which are entirely closed to foreign investment. This contrasts with the 120 categories which had restrictions in 1996. However, there are plans to further reduce the number of covered sectors at some point in the future. This might be done in the context of a U.S.-Korea Bilateral Investment Treaty (BIT), negotiations for which began in July, 1998.

The major points of the FIPA are as follows:

- Simplified procedures, including for FDI notification and registration;
- Expansion of tax incentives for high technology sector FDI;
- Reduction of rental fees and expansion of lease duration for land leased from the government (including local governments);
- Increase in central government support of local government FDI incentives;
- Introduction of one-stop service, including an automatic authorization system;
- Establishment of an Investment Promotion Center (IPC) within the Korea Trade
- Promotion Corporation to assist foreign investors in dealing with the bureaucracy;

- Establishment of an ombudsman office within the IPC to handle problems faced by foreign investors

In categories open to investment, applications for foreign investment must still be notified in advance to designated foreign exchange banks, including branches of authorized foreign banks. In effect, these notifications are pro-forma, and approval can be processed within three hours. Applications may be denied only on specific grounds, including national security, public order and morals, international security obligations, and health and environmental concerns; it is rare for these grounds to be invoked. Exceptions to the advance notification-approval system exist for certain categories of projects which are subject to joint venture requirements and certain projects in the distribution sector.

Investments not qualifying for application under the above notification procedures (i.e., conditionally or partially restricted projects, as classified under the FIPA) must still be approved by the relevant ministry or ministries. Most applications submitted under approval procedures are processed within five days; cases which require consultation with other ministries can take up to 25 days or longer. Large foreign investments are no longer referred to the Fair Trade Commission for review, and the prior review of environmentally sensitive projects is no longer conducted by the Ministry of Environment.

The Korean government's procurement law no longer favors domestic over foreign suppliers. This law was changed on January 1, 1997, to bring Korea into compliance with the WTO's Code on Government Procurement. In addition, under the proposed bilateral investment treaty, U.S. investors would be treated as favorably as Korean nationals from the “pre-establishment” stage of investment. Problems with implementation of Korea’s changed law still remain and the United States has brought one case regarding airport procurement to the WTO for resolution.

As of this year Korean law permits direct investment through merger with, or acquisition of, an existing domestic firm, including “hostile” mergers. Though a few restrictions on foreign ownership of local shares still exist, nearly all them have been lifted. One restriction that has not been removed is that on foreign ownership of public corporations, which consists of a limit on the percentage of stock allowed to be purchased, though these limits have increased in a number of cases.

The Ministry of Finance and Economy administers a program of tax and other incentives to stimulate advanced technology transfer and investment in high technology services. Effective December 5, 1998, foreign investments in 533 categories of high technology, including services, were identified for an increased range of tax reductions and other incentives. In addition, the scope of incentives was broadened to include the waiver of certain taxes, including corporate taxes on profits and dividends for the first seven years the foreign-invested project realizes profits, and a 50 percent reduction thereafter for three years.

The Korean government has a number of programs to encourage research and development (R&D) by private sector organizations. Of these, the most prominent is the Highly Advanced National (HAN) project, under which the government seeks to raise Korea's R&D capability to OECD levels by the year 2001. The program provides funding for projects carried out by Korean institutes in partnership with foreign research bodies aimed at developing new technology in a number of specified fields. Funding under these government R&D programs is also available to foreign-owned firms.

The Korean public attitude towards foreign investment has become more favorable and senior levels of the government from the President down continue to stress the importance of foreign investment for Korea's future. There are no significant non-governmental groups which oppose foreign investment. In fact, the media is generally supportive, and this has greatly influenced the change in public opinion. A number of consumer groups and some in the media continued to raise misplaced concerns about "luxury" imports, arguing that this kind of consumption harms social stability and damages the economy. These types of groups have not opposed foreign investment per se, nor do they represent a serious obstacle overall to foreign investment flows.

Right to Private Ownership and Establishment

Korea fully recognizes rights of private ownership and has a well-developed body of laws governing the establishment of corporate and other business enterprises. With certain exceptions, private entities may acquire and dispose of interests in business enterprises in Korea. As mentioned previously, Korean law now permits direct investment through merger, with or acquisition of, an existing domestic firm. The government also allows "hostile" mergers and, as of April 1, 1998, the restriction prohibiting cross-ownership between companies was repealed. Though a few restrictions on foreign ownership of local shares still exist, nearly all of them have been lifted. It should be noted, however, that the Fair Trade Act restricts cross ownership of shares in two or more firms if the effect is to restrict competition in a particular industry.

Until last year foreign access to real estate was strictly controlled through the Alien Land Acquisition Act. In order to attract foreign capital and investment, however, the act has been amended. According to a law which went into effect June 26, 1998, previous restrictions on foreign purchase of real estate have been lifted. The new law allows foreigners, regardless of visa status, the same treatment as Koreans in buying and using land. This change applies to corporations as well.

Protection of Physical and Intellectual Property Rights

Korea has made significant efforts to strengthen its intellectual property rights (IPR) laws and enforcement, although there have been inconsistencies with respect to court interpretation and rulings on the law. Downgraded from "priority watch list" in 1997, Korea has since been listed on the Special 301 "watch list."

Pursuant to its obligations under the WTO Agreement on Trade- Related Aspects of Intellectual Property Rights (TRIPS), Korea passed four acts (patent, utility model, design and trademark) in December 1995, and implemented new copyright, computer software and customs laws in 1996. In 1997, the trademark law was amended to afford protection to three- dimensional trademarks (registered in Korea only). On March 1, 1998, the revised trademark law became effective and the new patent court was established. Korea is implementing developed- country IPR standards in many areas, but still claims developing country status with respect to its TRIPS obligations overall. The U. S. Government has made it clear to the Korean Government in the negotiations on the Bilateral Investment Treaty (BIT) that the issues raised with respect to Korea's TRIPS consistency must be resolved before the BIT can be signed.

Korean patent law is fairly comprehensive, offering protection to most products and technologies. In July 1997, the Patent Act and Utility Model Act were amended to streamline the examination and appellate process and to boost monetary penalties for cases of patent infringement from 20 million won to 50 million won. U. S. industry believes that deficiencies remain in the interpretation of claims and in the treatment of dominant and subservient patents. Additionally, Korea’s recognition of international ownership of foreign patents has been inconsistent, and approved patents of foreign patent holders have been vulnerable to infringement.

The Korean Industrial Property Organization (KIPO) took the lead in amending Korean laws to address U. S. concerns about restrictions on patent term extension for certain pharmaceutical, agrochemical and animal health products, which are subject to lengthy clinical trials and domestic testing requirements. In the past, pharmaceuticals’ patent term protection for the clinical trial period was lost if that period took less than two years. In the fall of 1998, the National Assembly passed legislation amending these restrictive provisions.

Although a law permitting patent extension was adopted on January 1, 1999, Korea still has failed to provide full retroactive protection to existing copyrighted works as required under the TRIPS Agreement. The copyright law only provides protection for cartoon characters that possess artistry and creativity. The trademark law does not protect some famous U. S. cartoon characters because they have not been registered as trademarks with KIPO. Korean courts, in recent decisions, have consequently declined to extend protection to those cartoon characters and certain textile designs.

There has been some improvement over the past several years on the removal of pirated and counterfeit goods from the Korean market. Through administrative guidance, Korea curtailed the copying and selling of certain U. S. copyrighted works created before 1987. Korea also established "special enforcement periods," during which significant resources are devoted to raids, prosecution and other copyright enforcement activities. The High Prosecutor’s Office reported that from January to October 1998, 17,369 IPR infringement cases were reported (up 3.4 percent from 1997), and 1,334 individuals were arrested (up 32 percent from 1997). Police and prosecutors continue to make “special” IPR raids. U. S. businesses and industry groups have reported that software piracy by large Korean corporate end-users remains a significant problem. Piracy for home use and by educational institutions reportedly continues to be a problem as well, and U. S. firms report that they still have difficulties bringing law enforcement action against “small- scale” infringers.

Although Korean laws on unfair competition and trade secrets provide some trade-secret protection in Korea, they remain deficient. For example, U. S. firms, particularly some manufacturers of chemicals and candy, face continuing problems with government regulations requiring submission of very detailed product information (i. e., formulae or blueprints) as part of registration or certification procedures. U. S. firms report that although the release of business confidential information is forbidden by Korean law, submitted information has not been given sufficient protection by government officials and, in some cases, has been made available to Korean competitors or to their trade associations.

The U. S. pharmaceutical industry continues to be concerned about a lack of coordination between health and safety and IPR officials, allowing products that infringe existing patents to be approved for marketing. The U. S. Government will continue to press the Korean Government on IPR protection for pharmaceuticals until U. S. concerns are fully and satisfactorily addressed.

Korea has taken steps to reduce the number of cases in which Korean companies register trademarks similar to U. S.- owned marks. But cases of unauthorized registration -- so- called “sleepers” are still a problem. "Sleepers" are marks filed and registered by Koreans without authorization in the late 1980s and early 1990s, when KIPO was still developing a more effective and accurate trademark examination and screening process. A new trademark law, which became effective March 1, 1998, contains provisions for prohibiting the registration of trademarks without the authorization of foreign trademark holders by allowing examiners to reject registrations made in “bad faith.”

Until 1998, trade dress had been only partially protected under both the prevention of unfair competition law and the design law. The design law grants protection only after registration is completed. However, the amended trademark law now allows the registration of three-dimensional marks and trade dress.

Korea has long been a source of exports of infringing goods. Because textile designs are not fully protected, some Korean companies pirate U. S.- copyrighted textile designs and export them to third countries, competing with genuine U. S.- produced goods. The U. S. Government continues to urge Korean Government officials to increase their efforts toward stopping exports and imports of counterfeit goods to and from third countries.

Recent amendments to the Design Act became effective on March 1, 1998. Under the new amendments, KIPO made industrial designs more competitive by extending the duration of the design right and simplifying the design application procedures. A new design registration system was introduced to enable applications for certain goods to be registered without examination.

Taxation Issues Affecting U.S. Business

There is a tax treaty in force between the United States and Korea. Negotiations have begun between the two nations on a revised treaty.

The major tax issues identified by the American Chamber of Commerce in Korea as affecting U.S. companies are as follows: the effect of sudden currency fluctuations on thin capitalization rules, donation expense rules, limitations on the recognition of goodwill in an asset transfer, tax implications of corporate reorganizations, limitations on advertising expense deductions, differential VAT treatment of business vs. asset transfers, VAT reporting requirements, tax treatment of corporate other income and tax exemptions to encourage foreign investment.

Performance Requirements/Incentives

Korea ceased imposing performance requirements on new foreign investment in July 1989 and eliminated all preexisting performance requirements in December 1992.

Transparency of the Regulatory System

The Korean regulatory environment is difficult for domestic firms to work through and poses an even greater challenge to foreign firms. Laws and regulations are framed in general terms and are subject to differing bureaucratic interpretations depending on government officials who rotate positions often. Basic concepts of administrative procedure are not well developed. The regulatory process is not transparent and frequent informal discussions with the bureaucracy are necessary. Mid-level bureaucrats rely on unpublished ministerial guidelines and unwritten administrative advice for direction. Proposed rules are often not published prior to promulgation, or are published with insufficient time to permit public comment and industry adjustment. After promulgation, rules can be applied retroactively and arbitrarily. While Korea has an administrative procedures law, the rule making process continues to be opaque and non-transparent, particularly for foreigners.

President Kim Dae-Jung has made deregulation one of the cornerstones of his economic policy. To date this has taken a back seat to more critical economic and financial system restructuring, though the government has made a major effort to cut back on the number of regulations in force. The regulatory picture is mixed depending on the ministry or agency. Some have made unprecedented outreach efforts to the foreign business community and complaints about regulatory impediments vary by business sector.

Laws exist regulating monopolistic practices and unfair competition, but their practical effect is limited by the long-standing economic dominance of a few large business conglomerates, referred to locally as the "chaebol." Most recently -- April 1, 1998 -- the government amended the Anti-Monopoly and Fair Trade Act, which has been repeatedly changed to address the issue of unwieldy chaebol growth. In this latest revision the government repealed the prohibition of cross ownership but, instead, it instituted a new restriction on intra-group payment guarantees. Therefore, no new intra-group payment guarantees will be allowed for the 30 largest chaebol starting from April 1, 1998. All existing intra-group payment guarantees are scheduled to be eliminated by March 31, 2001.

Chaebol domination of the Korean economy causes some practical business problems for foreign investors. Small- and medium-sized suppliers, for example, may be reluctant to deal with foreign firms for fear of jeopardizing a prized chaebol relationship. Distribution channels may be blocked by chaebol competitors who own or dominate distribution channels. Obtaining access to credit may be complicated by the privileged relationships competing chaebols enjoy with local banks.

Corruption

The nature of Korea’s historic style of governance - lack of transparency in the formation of laws and regulations, inadequate institutional “checks and balances,” and a societal structure heavily based on personal relationships – has provided ample opportunities for corruption and influence peddling.

The Kim Young-Sam Administration (1993-1998) resolved to break with this tradition and began a momentous reform process with the requirement that all bank accounts be made “real name” by the end of 1993. This basic change had a profound impact in an economy wherein illegal wealth traditionally was hidden through the use of multiple bank accounts established using fictitious names. (The government has backtracked on this reform somewhat, however, by allowing the issuing and purchase of bearer bonds to mobilize domestic resources to address the financial crisis.)

These changes are profound and likely irreversible. Yet, the original conditions which contributed to corruption – principally the lack of transparency in government actions and the close relationship between the government, the banks, and the chaebols – have yet to be fully rectified. Important steps forward have been taken, including the first public hearings held by ministries to solicit popular views on proposed changes in regulations and laws, but much remains to be done. The current administration is fully committed to a more open and transparent system of government.

Giving or accepting a bribe to a Korean official is a criminal act. The penalties for the crime range from probation to life imprisonment, depending on the amount involved. Bribing a foreign official is not a crime under Korean law, but anti-bribery legislation has been approved, bringing Korea into compliance with the OECD initiative against bribery. The Supreme Prosecutor in each province is responsible for ferreting out corruption. Many business leaders and officials – including ministers and now presidents – have been found guilty of corruption in recent years, yet few have paid heavy fines or served much time in prison.

Labor

Korea has a highly educated and hard-working labor force. Although labor-management relations can be contentious, they have improved in the past several years with wages having increased more than two and a half times over 1987 levels. Between 1987 and 1989, labor disputes numbered in the thousands. This declined steadily to just 80 cases in 1995. Yet, recently due to the economic crisis and the consequential wage cuts and layoffs, labor disputes are once again on the increase, and labor relations remain highly confrontational. Labor groups are quick to escalate disputes and often resort to work slowdowns, abuse of leave, and disruption of business by holding rallies, wearing casual clothes, or displaying protest signs in the work environment. These tactics fall outside the scope of Korea's labor law and usually do not lead to confrontations with authorities. Sit-in strikes are common, and workers have on occasion occupied company offices or factories.

While Korean companies have had more major labor disputes, employees at foreign-invested firms tend to make greater demands on management. Workers at foreign-owned firms perceive, most often incorrectly, that job stability and career prospects are relatively less attractive than at Korean firms, and as a result, labor is increasingly concerned about reductions in force and issues such as severance pay. Although actions by striking employees may be illegal, unless violence occurs, police are reluctant to enforce the law and arrest unionists. At times labor portrays the dispute as an issue of nationalism. For some companies such as banks, whose activities are considered to be essential public services, the government has the right to order binding arbitration to solve labor disputes.

In December 1991, following its admission to the United Nations, Korea joined the International Labor Organization (ILO). It still has not ratified, however, the basic ILO conventions on Workers Rights (Convention no. 87 on the freedom of association, Convention no. 98 on the right to organize and collective bargaining, and Convention no. 151 on public service employees' right to organize). A number of international and domestic labor groups have filed complaints against the Korean government with the ILO's Committee on Freedom of Association. This committee issued a report critical of Korean labor laws and practices. In this report it recommended that Korea amend its trade union law to allow workers to form plural trade unions of their choice without restriction, to allow public servants and teachers the right to organize trade unions and engage in collective bargaining, to repeal the ban on third-party intervention in the settlement of labor disputes, and to facilitate the release of a number of imprisoned trade unionists. It should be noted, however, that many trade unionists were imprisoned for acts of violence and destruction of property and not for their affiliations with the unions.

In 1997 Korea amended its labor laws to permit more than one national labor federation. At this time the government also repealed the ban on intervention by "third parties" in labor disputes.

Efficient Capital Markets and Portfolio Investment

Many forms of capital inflows and outflows were traditionally restricted or prohibited as a matter of law or policy in Korea. The government also exercised tight control over its domestic credit markets, often with the goal of channeling financing to priority sectors. In some instances, banks were carrying non-performing policy loans on their books for years. Credit ceilings on loans to the ten largest business conglomerates are now in effect, and banks are required to channel a specified percentage of their loans to small- and medium-sized businesses.

In June 1993 the Korean government announced a five-year financial sector reform program. The government proposed loosening foreign exchange and capital controls, eliminating government credit schemes, and continuing the deregulation of interest rates. Implementation of the program was largely expected towards the end of the five-year period, although the timetable for implementation of some measures was advanced. Controls on interest rates for all loans as well as time deposits with maturities of over six months were removed. In December 1995 the Korean government announced the relaxation of restrictions in a number of other areas, including securities, offshore borrowing, imports on deferred payment and the holding and use of foreign exchange. The growing inefficiencies of domestic financial services sectors, plus pressure from Korean firms who wished to invest overseas or borrow in international capital markets, led to additional review of deregulation and reform options by earlier governments. Korea's bid to join the OECD by end-1996 spurred further reforms to bring Korean practice into line with basic OECD standards regarding capital movements, particularly in the areas of foreign purchases of Korean corporate bonds and in long-term borrowing abroad by Korean firms. Progress in financial sector liberalization was evident, but limited, until the economic crisis, in the aftermath of which change has been substantial.

In the area of portfolio investment, Korea's stock market is almost completely unrestricted now. The aggregate foreign investment ceilings on the Korean stock exchange were abolished on May 25, 1998 in the hopes of increasing the purchases by foreign stock investors. In addition, Korean law now permits direct investment through merger with or acquisition of an existing domestic firm. The government also allows "hostile" mergers and, as of April 1, 1998, the restriction prohibiting cross-ownership between companies was repealed.

Another area of the Korean economy that was liberalized this year was property law. The amended form of the Alien Land Acquisition Act allows even non-resident foreigners the same right as Koreans in purchasing and using land. Portfolio investment in real estate is now allowed as well.

The government permits stock purchases on margin, requiring that transactions be settled within three business days.

As a final note on capital movements, Korea routinely permits the repatriation of funds. It reserves the right, however, to limit capital outflows in exceptional circumstances, such as situations which may harm its international balance of payments, cause excessive fluctuations in interest or exchange rates, or threaten the stability of its domestic financial markets. However, such restrictions were not imposed even during the height of the financial crisis in late 1997.

Weak supervision and poor lending practices in the Korean banking system, particularly over the past few years, were major reasons for the crisis in 1997. The government, working closely with the IMF and the World Bank, has initiated a major restructuring of the financial system to strengthen it and make it more transparent and in-line with international standards. This process is ongoing.

The total assets (excluding acceptances and guarantees) of Korea's nationwide commercial banks as of the end of 1998 was 360 trillion won, or about $300 billion.

Conversion and Transfer Policies

Korea has removed to a substantial extent the past restrictions on financial transfers in and out of Korea. In the past, foreign exchange transactions were strictly regulated by the Foreign Exchange Control Act and its associated regulations. Even before this act was replaced, the government moved to liberalize transactions in such areas as medium and long term overseas borrowings, purchase and sale of local real estate and dealings in over the counter stocks and bonds.

On April 1, 1999, the Foreign Exchange Transaction Act (FETA) came into effect, replacing the Foreign Exchange Control Act. This act divides liberalization into two steps, the first taking effect with the new law and the second taking effect at the end of 2000. The first stage includes full liberalization of all current account transactions by business firms and banks. The former very lengthy negative list has been pared down to five items, most of which affect foreign exchange transactions by individuals, including such transactions as overseas travel expenses.

The capital account liberalization under the new law has been even more extensive; all capital account transactions were liberalized unless specifically prohibited. 72 of the 91 transactions specified by the OECD code of liberalization of capital movements have now been liberalized. These changes include allowing non-residents to open domestic won deposit accounts with maturities of more than one year. In addition, offshore transactions in won currency were liberalized, allowing non-residents to issues won denominated securities abroad.

For the second stage of FETA's liberalization measures, all remaining restrictions will be dismantled as of January 1, 2001, except for those that could harm international peace and public order such as money laundering and gambling. Included in this liberalization are the five remaining restrictions on individuals' transactions. The government also retains the authority to reimpose restrictions in the case of severe economic or financial emergency.

In addition to the above improvements by Korea's investment regime, the U.S. Overseas Private Investment Corporation determined in June, 1998 that Korea is again eligible for OPIC programs.

Continuing with Korea's conversion and transfer policy, the right to remit profits is obtained at the time the original investment approval is sought. In the case of open sectors (as defined by the FETA) this approval process has been delegated to the foreign exchange banks and is considered pro forma. In the case of investments which are either conditionally or partially restricted (as defined by the FETA), approval for both the investment and remittances rests with the relevant ministry.

When royalties or other payments over an extended period of time associated with a foreign investment in Korea are proposed as part of a technology licensing agreement, both the agreement and the projected stream of royalties must be approved by either a foreign exchange bank or the Ministry of Finance and Economy. Again, approval is virtually automatic.

When an investor wishes to effect a remittance, he/she must present an audited financial statement to the foreign exchange bank to substantiate the payment. To withdraw capital, a stock valuation report issued by a recognized securities company or the Korea appraisal board must also be presented.

Foreign companies seeking to remit funds which are not related to a FETA-type investment must work through authorized foreign exchange banks after obtaining government approval. Approval is given when a legal source of the funds is demonstrated and proof is shown that relevant taxes have been paid. There also exist limits on the amount of funds any traveler -- either foreign or domestic -- may take out of the country per trip.

Conversion of the national currency, the won, into foreign currencies for certain international transactions such as the import of goods and services is possible with the approval of an authorized foreign exchange bank. The external value of the won is the responsibility of the Bank of Korea, which allows it to float against a basket of hard currencies. Daily fluctuation limits have been completely removed, and the Bank of Korea has committed itself under the IMF program to intervening only to smooth out currency market movements, rather than to attempt to set the exchange rate. As a reference price, the Bank of Korea uses the previous day's weighted average of won-dollar interbank transactions.

Expropriation and Compensation

Korea follows generally accepted principles of international law with respect to expropriation. The law protects all foreign-invested enterprise property from expropriation or requisition. If private property is expropriated, it can only be taken for a public purpose and then in a non-discriminatory manner. Property owners are entitled to prompt compensation at fair market value. The Embassy is not aware of any cases of uncompensated expropriation of property against American citizens.

Dispute Settlement

Serious investment disputes involving foreigners are the exception rather than the rule in Korea, except in cases involving intellectual property rights. There exists a body of Korean law governing commercial activities and bankruptcies which constitutes a means to enforce property and contractual rights, with monetary judgments usually made in the domestic currency. The judgments of foreign courts are not enforceable in Korea.

Although commercial disputes can be adjudicated in a civil court, foreign businesses often feel that this is not a practical means to resolve disputes. For example, proceedings are conducted in the Korean language, often without adequate translation. With the rarest of exception, foreign lawyers, (i.e., who have not passed the Korean Bar), are prohibited by Korean law from representing clients in Korean courts. Civil procedures common in the United States, such as pretrial discovery, do not exist in Korea. During litigation of a dispute, foreigners may be barred from leaving the country until a decision is reached. Legal proceedings are expensive and time-consuming. A lawsuit is often considered a last resort, signaling the end of a business relationship.

Commercial disputes may also be taken to the Korean Commercial Arbitration Board (KCAB). The Korean Arbitration Act and its implementing rules outline the following steps in the arbitration process: (1) parties may request the KCAB to act as informal intermediary to a settlement; (2) if unsuccessful, either or both parties may request formal arbitration, in which case the KCAB appoints a mediator to conduct conciliatory talks for 30 days; and, (3) if unsuccessful, an arbitration panel consisting of one or three arbitrators is assigned to decide the case. If one party is a not resident in Korea, either may request an arbitrator from a neutral country.

Lastly, one more option may become available to resolve problems between U.S. and domestic firms. U.S. investors may be given the right to refer investment disputes with Korea to binding international arbitration, under a proposed U.S.-Korea bilateral investment treaty.

In any case, when drafting contracts, it may be a good idea to provide for arbitration by a neutral body such as the International Commercial Arbitration Association (ICAA). U.S. companies should seek local expert legal counsel when drawing up any type of contract with a Korean entity.

Korea is a member of the International Center for the Settlement of Investment Disputes (ICSID). It has also acceded to the New York Convention (formally called the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards). Korea is a member of the International Commercial Arbitration Association and the World Bank's Multilateral Investment Guarantee Agency (MIGA). It is important to keep in mind that Korean courts may ultimately be called upon to enforce an arbitrated settlement.

Political Violence (as it may affect investments)

Korea does not have a history of political violence directed against foreign direct investment. The Embassy is unaware of any politically motivated threats of damage to foreign projects and/or installations of any sort nor of any incidents which might be interpreted as having targeted foreign investments. Labor violence unrelated to the issue of foreign ownership, however, has occurred in foreign-owned facilities in the past.

Tensions on the Korean peninsula have remained relatively high due to the threat from North Korean conventional military forces. In a U.S.-DPRK agreement signed in Geneva in October 1994, North Korea agreed to freeze and eventually dismantle its nuclear weapons program. It did so in return for improved relations with the United States and a program to provide substitute energy in the form of heavy fuel oil and the construction of light water reactors, which are less subject to use for weapons development. It is hoped that this program, in conjunction with improved inter-Korean relations, will ease the DPRK's international isolation and reduce tensions on the peninsula.

Bilateral Investment Agreements

The United States has a bilateral Treaty of Friendship, Commerce, and Navigation with Korea, which contains general provisions pertaining to business relations and investment. During President Kim’s visit to the United States in June of 1998, President Clinton and President Kim agreed to negotiate a bilateral investment treaty between the two nations. If such a treaty is realized, regulations dealing with foreign investment will be further liberalized. An example of changes proposed in the U.S. model text includes giving foreigners the right to transfer funds into and out of Korea without delay at the current, market rate of exchange.

OPIC and Other Investment Insurance Programs

Since a 1991 determination under the Workers Rights provisions (Section 23la) of the Foreign Assistance Act, the Overseas Private Investment Corporation (OPIC) has refrained from writing policies under its insurance programs for companies making new investments in Korea. Coverage issued prior to this determination is still in force. In June of 1998, however, OPIC announced that Korea will again be eligible for OPIC programs in response to recent steps taken to protect workers' rights. Yet, even without OPIC coverage, this factor has not been regarded as a serious obstacle to U.S. investors, since OPIC has never had to cover claims in Korea for expropriation, political risk or currency inconvertibility.

Korea has been a member of the IBRD's Multilateral Investment Guarantee Agency (MIGA) since November 1987.

Capital Outflow Policy

Since liberalization began in 1986, Korean foreign direct investment abroad has been growing at an average annual rate of over 35 percent. At the end of 1995, Korea's investment abroad totaled $10.2 billion, much of which represented recent investment in China and Southeast Asia in such labor intensive industries as footwear and component assembly. In recent years outward investment in capital and technology intensive industries such as autos has also increased markedly. Southeast Asia has replaced the United States and Canada as the largest recipient of new Korean investment. Since the establishment of formal diplomatic relations in 1992, Korean investors have been particularly active in China's northern provinces, where sizable ethnic Korean populations reside. Since the start of the economic crisis in December 1997, however, outward investment has nearly ground to a halt. In fact, chaebols and banks have sold off quite a bit of overseas investment since then.

In early 1996, the government announced changes designed to ease control on overseas portfolio investments, as well as to make it easier for foreigners to purchase Korean securities. As of April 1, 1996, Korean corporate investors and individuals can purchase certain foreign securities (stocks, bonds, commercial paper and certificates of deposit) without limits; institutional investors have been able to buy these foreign securities since 1995. During late 1997 and early 1998, in the context of Korea's IMF program a variety of rules governing foreign ownership of Korean domestic securities and Korean ownership of foreign securities were liberalized in the hopes of attracting foreign investment and capital.

Major Local and Third Country Competitors in Specific Sectors

The dominant position of Korean conglomerates -- the chaebol -- in the domestic economy represents a significant problem for foreign competitors. The chaebol purchase from "family" suppliers whenever possible. The government seeks to weaken chaebol dominance, but the effectiveness of their measures remains to be seen.

Despite Korea's position as an exporting center, the domestic capital goods industry is not able to meet demands for high-end manufacturing and electrical equipment, process controls, and customized machine tools. Japan is the United States' main competitor as a capital goods supplier. In aircraft and parts manufacturing, the U.S. competes with Airbus and its suppliers in the Korean market. Large-scale power generation, both nuclear and thermal, is a U.S. success story in Korea, despite strong Canadian and European competition. Korea Telecom has a history of favoring domestic suppliers, but, thanks to bilateral telecommunications agreements, the United States has made in-roads into the equipment market, particularly with recently established private telecom operators.

A variety of barriers to the import of automobiles has limited both U.S. and European exporters to a minuscule share of the booming domestic market. On October 1, 1997 the U.S., therefore, designated Korea as a "Priority Foreign Country Practice," which resulted in the initiation of an investigation under section 301 of the U.S. Trade Act on October 20, 1997 and a call for bilateral consultations to provide fair market access for foreign autos in Korea. The import of Japanese autos, however, was specifically prohibited, but the ban was removed in the summer of 1999. The rapidly growing pharmaceutical market is dominated by domestic firms, and government regulations greatly complicate the importation and distribution of foreign products. The domestic chemical and petrochemical industries have also expanded their capacity in recent years, pushing foreigners increasingly into niche, specialty markets.

The country with the greatest foreign investment in Korea -- as of end of 1998 -- is the United States, with $11.3 billion invested, or about 33.6 percent of Korea's total stock of foreign direct investment. The second largest group is European-based - $10 billion, or 29.7 percent of the total invested; the leading countries are the Netherlands, Germany, France, and Ireland. Japan comes in third with $6.3 billion, or 18.9 percent. The ranking of these investors is measured through monitoring applications for transfers and are booked at their nominal value; retained and/or reinvested earnings are not included in this calculation.

Foreign Direct Investment Statistics

Foreign Direct Investment Flows - Into and Out of Korea

(in US$ millions)

	--------Flow--------			Stock
	1996	1997	1998	
Total Inflow	3,203	6,971	8,852	33,492
- United States	876	3,190	2,975	11,255
- Japan	255	266	504	6,337
- Europe	1,058	2,409	2,968	9,962
- Others	1,014	1,106	2,405	5,938
Total Outflow	4,233	3,216	3,722	20,260
- North America	1,587	738	903	5,757
- Asia	1,625	1,497	1,408	8,852

- Europe	662	456	1,001	3,492
- Others	359	525	410	2,159

Source: Ministry of Finance & Economy

Foreign Direct Investment Statistics

The following is a partial list of major U.S. investors in Korea.

U.S. Investor------------------	Products-------------------
Procter & Gamble Far East, Inc.	Household products, sanitary paper products
E.I. Dupont de Nemours & Co.	Photomasks for semiconductors, engineering plastics, titanium dioxide, paints
Ford Motor Company	Autos and auto parts
Caltex (Overseas) Ltd.	Petroleum refining
Bank of America NT	Banking
Citigroup	Financial Services
Carrier Corp.	**Air conditioners**
H.J. Heinz Co.	Foods & feeds
General Motors Corp.	Auto parts
Caltex Petroleum Corp.	Petroleum refining
Dupont Laboratories, Inc.	Photomasks for semiconductors

Host Industry Contact Information for Investment-Related Inquires

The Korea Investment Service Center (KISC) is a one-stop shop for foreign investment in Korea, which was opened in Seoul in May of 1998 by the Korea Trade and Investment Promotion Agency (KOTRA). This office provides Korean government publications on foreign investment as well as a consulting service for foreigners, made up of an investment consulting team, an administrative support team, and a project support team. Most importantly, with the passage of the Foreign Investment Promotion Law, KISC will be able to handle up to 70 percent of all civil procedures related to the foreign investment process. For more information, please contact:

Korea Investment Service Center
#904, 9th Floor
Korea World Trade Center
159 Samsung-Dong, Kangnam-Gu, Seoul, 135-729, Korea
Tel: (82-2) 551-7378(-80)/7392(-93); Fax: (82-2) 551-7381
E-Mail: iksc@unitel.co.kr Website: http://www.kotra.or.kr

CHAPTER VIII. TRADE AND PROJECT FINANCING

During the financial crisis of late 1997 and the first half of 1998, Korean and foreign banks hesitated to extend credit to businesses, especially for small sized importers. Banks were required to raise their capital adequacy ratios to the BIS required level of 8%. Because of the bankruptcy of large corporations like Hanbo and Kia, private banking institutions were left holding high levels of non-performing loans. Trade financing and letters of credit became more expensive and difficult to obtain for most firms. Over 22,000 small and medium enterprises also went bankrupt during the crisis, further degrading the banks' credit portfolios

On June 25, 1998, the Korean government "suggested" that five healthy commercial banks take over five banks which failed to meet BIS equity ratio requirements (based on purchase and assumption - P&A- formula) as follows: Shinhan Bank took over Donghwa Bank; Housing and Commercial Bank took over Dongnam Bank; Kookmin Bank took over Daedong Bank; KorAm Bank took over Kyungki Bank; and, Hana Bank took over Chungchong Bank.

The Ministry of Finance and Economy, also identified seven other banks which failed to meet BIS equity ratios. These banks were allowed to continue operating until September 1998 on the condition that their viability would depend on a determination by the Financial Supervisory Commission on whether or not the banks' proposed self-rescue plans were adequate to continue to operate. The Commercial Bank of Korea and Hanil Bank subsequently merged to become Hanvit Bank. Chohung Bank, Chungbuk Bank and Kangwon Banks also merged. The Korea Exchange Bank and the Peace Bank successfully implemented recapitalization and restructuring plans, and continued operations.

Traditionally, most of the trade and project financing has gone to large Korean conglomerates, due to the financial security of an already existing immense capital base. The banking industry gave little attention or preference to domestic small and medium sized companies. But through recent initiatives by the Korean government, the Ministry of Finance and Economy has encouraged Korean banks to allot a portion of their overall loans to small and medium sized companies.

Because it is generally expensive to obtain credit, Korean companies request or insist on extended terms of credit. Such favorable terms as open account are requested, even for the first transaction. U.S. exporters should resist such persuasive negotiations by Korean businesses and opt to carry out initial transactions on a secured basis until a mutual business confidence is established.

Brief Description of the Banking System

The present financial system in Korea consists of both banking institutions and non-bank financial institutions. The newly-established Financial Supervisory Commission, and its regulatory arm, the Financial Supervisory Service, is now responsible for the supervision and examination of all banks, including specialized banks and government-owned banks, as well as securities and insurance companies. The Financial Supervisory Commission plays a key role in financial restructuring. It is in the process of strengthening the regulatory and supervisory framework governing the entire financial sector. Supervising standards are improving, but it will be some time before they meet international standards. Audits are generally performed by the Korean branches of international accounting firms, and audit quality is improving. The national deposit insurance system in Korea could be made more robust, but the government has indicated that all depositors would be protected

Foreign Exchange Controls Affecting Trading

In a liberalization plan announced on June 22, 1998, the Ministry of Finance and Economy (MOFE) outlined a program to ease restrictions on capital movements and financial markets through the year 2000. The new Foreign Exchange Transaction Act promises sweeping liberalization of foreign exchange controls in two phases over two years. MOFE described its guiding principles for reform as a creation of a simplified transparent framework and expect full liberalization in line with OECD benchmarks. The first stage of liberalization, implemented on April 1, 1999, included five major changes: (1) a negative list system was introduced in place of the current positive system for capital account transactions; (2) all capital account transactions related to business activities of firms and financial institutions were liberalized, including firms' short-term borrowings from abroad; (3) non-residents were allowed to issue won-denominated securities abroad; (4) all qualified financial institutions were permitted to engage in the foreign exchange business and all restrictions on the money exchange bureau business will be removed; and, (5) participants in the spot and forward markets no longer had to demonstrate their business purpose to purchase forward currency, and a commercial foreign currency brokerage system was introduced.

Second stage measures, to become effective by the end of 2000, will liberalize those capital account transactions that were not liberalized in the first stage, except for those related to national security and crime prevention. This would allow non-residents to invest in won-denominated domestic deposits with maturities of less than one year, and residents to invest in foreign-currency-denominated overseas deposits.

According to the revised Foreign Exchange Management Regulations, a Korean traveler may purchase up to $10,000 to meet foreign travel expenses. An additional $10,000 of overseas expenses per month is authorized for overseas sojourners, including Korean residents staying in foreign countries longer than 30 days for the purpose of business, culture, public affairs, overseas training, study overseas and technical training. Korean residents living offshore longer than two years are now authorized to purchase foreign real estate of up to $500,000 per individual. In addition, Korean residents are now permitted to hold deposits abroad of up to $50,000 for individuals and $3 million for corporations.

Proposed foreign capital remittances are guaranteed when investment approval is obtained. A foreign firm that invests under the terms of the Foreign Capital Promotion Act (FCPA) is permitted to remit a substantial portion of its profits upon providing an audited financial statement to its foreign exchange bank. To withdraw capital, a stock valuation report issued by a recognized securities company or the Korean Appraisal Board must also be presented. Foreign companies not investing under the FCPA must repatriate funds through authorized foreign exchange banks after obtaining government approval. Although Korea does not routinely limit the repatriation of funds, it reserves the right to do so in exceptional circumstances, such as situations which may harm its international balance of payments, cause excessive fluctuations in interest or exchange rates, or threaten the stability of its domestic financial markets.

General Financing Availability

The government has exercised tight control over its domestic credit markets, largely to reduce inflationary pressures, but also to meet other economic policy objectives. In the 1970s, the government allocated credit through Korean banks, called "policy loans," at subsidized interest rates to priority export industries and the agriculture sector. In the 1980's the Korean economy showed rapid growth by Korean conglomerates because of their business strategies geared towards growth-oriented expansion domestically and overseas, despite limited output and profit or high debt levels in some cases. The government slowly abandoned the policy loan approach, but did not use its supervisory authority to force banks and other financial institutions to adequately assess credit risk. In the 1990's the government tried to limit loans to 30 large business conglomerates to reduce economic concentrations. However, distortions in credit allocations due to government controls, limited risk-analysis, and tightly bound societal relationships, resulted in high levels of non-performing loans in the Korean banking system.

Medium and short term credit is available from Korean as well as foreign banks, and through the issuance of debentures. Credit, however, is in short supply, and foreign firms must compete with domestic companies, which generally have better access to local funding and informal and secondary financial markets charging high interest rates. Debentures are a financing alternate, although slightly more expensive than bank financing. Long term debt is available from the Korea Development Bank, but generally for high priority industries.

After the recent economic shock, the government decided that its foreign loan system was distorted, and eased its restrictions on long-term credit foreign financial companies. In the past, Korean companies were obliged to obtain approval from the Ministry of Finance and Economy (MOFE) for loans over $10 million with maturities of over one year. As of July 1, 1998, companies need only to notify MOFE of loans over $50 million with maturities over one year.

How to Finance Exports/Methods of Payment

The Korean financial system is perennially hard-pressed to meet the demand for financing and capital. Foreign companies in a start-up operation with a Korean partner often invest capital for the joint venture, while their Korean partner makes an investment in kind, i.e., land or facilities, as the Korean equity. Joint venture companies and foreign firms often work with branches of foreign banks for local currency financing, although the branches of foreign banks occupy a small portion of local market won availability. Other potential sources of financing include domestic nationwide commercial banks, regional banks and specialized banks including the Korea Development Bank, the National Agricultural Cooperative Federation, the Industrial Bank of Korea, and Korea Housing Bank.

There are three documentary practices in settling Korea's imports. These include: (1) sight and usance Letters of Credit, (2) Documents against Acceptance (D/A) and Documents against Payment (D/P); and, (3) Open Account Transactions. D/A and usance LCs are forms of extended credit in which the importer makes no payment for the goods until the date called for in the credit; however, the importer may clear the goods from customs prior to payment. D/P is the same as D/A except that the importer cannot clear the goods from customs prior to payment. In some cases an importer can clear goods prior to payment under a sight LC. LC transactions generally follow standard international UCP codes.

Imports on deferred payment terms, D/A and usance L/Cs, used to be allowed only for specific items such as items subject to specific commercial duties having a tariff rate of 10 percent or less, and crude oil, light oil, and heavy oil. However, this limitation on the types of imports and deferred periods was abolished on July 1, 1998. Imports using installment payment terms used to be allowed for only certain types of products, including goods to facilitate foreign exchange earnings, raw material inputs for export, and machinery used in heavy industries, but these limitations were abolished in July 1998.

The Commercial Service of the U.S. Embassy in Seoul recommends that U.S. companies consider dealing on a confirmed letter of credit basis with new and even familiar clientele. A confirmed L/C through a U.S. bank is recommended because it prevents unwanted changes of the original L/C, and it shifts responsibility for collection onto the familiar banks involved, rather than onto the seller. This may cost you a bit more, but may be well worth it.

Types of Available Export Financing and Insurance

As of 1991, the Overseas Private Investment Corporation (OPIC) refrained from writing policies under its insurance program for companies making new investments in Korea under Section 231A of the Foreign Assistance Act. However, in light of the new economic difficulties in Korea, OPIC announced in June of 1998 that it would resume operations in Korea. OPIC has never had to cover claims for expropriation, political risk or currency inconvertibility in Korea because of the relative stable investment climate. Further, the United States and Korea are negotiating a Bilateral Investment Treaty (BIT). The conclusion of a BIT would provide greater confidence to the American investment community.

Prior to the economic crisis, loans and guarantees from the U.S. Export-Import Bank (Eximbank) of the United States were not commonplace because international trade transactions were being conducted in a stable environment. However, during the height of the economic crisis, many foreign banks were reducing their exposure to Korea. The U.S. Eximbank saw the need to help to ensure confidence in the Korean market. Eximbank agreed to provide short term and medium credit guarantees for capital goods and services. As trade and financing has been a significant problem for Korean importers of American products and services, Eximbank financing could help alleviate this problem.

Since 1987, Korea has been a member of the Multilateral Investment Guarantee Agency of the World Bank Group. The Republic of Korea is a recent graduate of the International Bank for Reconstruction and Development (The World Bank), though it is again a recipient of World Bank loans. Within the World Bank Group, ROK is a member of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). The Commercial Service of the U.S. Department of Commerce has a presence at the World Bank Group within the Office of the U.S. Executive Director. Contact information at the World Bank is as follows:

Janice Mazur, The World Bank, The Commercial Service Liaison Staff
Office of the U.S. Executive Director, 1818 H Street, NW, Washington, DC 20433
Tel. 202-458-0120/0118, Fax. 202-477-2967
E-mail: Jmazur@mail.doc.gov

List of Major American and Korean Banks in Korea

(Note: Telephone dialing information when calling from outside of Korea:
82 is the country code for Korea, followed by 2 which is the city code for Seoul)

List of American Banks in Seoul

American Express Bank Ltd. (Seoul Branch): 15th Floor, Kwangwhamoon Bldg.,
#64-8, Taipyungro 1-ka, Chung-ku, Seoul 100-101
Mailing Address: KPO Box 1390, Seoul Telex: K24484, Tel: 399-2929, Fax: 399-2967

Bank Boston (Seoul Branch): 15th Floor, Kyobo Bldg.,
#1, 1-ka Chongro, Chongro-ku, Seoul 110-714
Mailing Address: CPO Box 313, Seoul Telex: K23750, Tel: 397-3300, Fax: 733-6989

Bankers Truast Company (Seoul Branch): 12th Floor, Hanwha Bldg.,
#111-5, Sokong-dong, Chung-ku, Seoul 100-070
Mailing Address: CPO Box 7480, Seoul   Telex: K26390, Tel: 3788-6000, Fax: 3788-6071

Bank of America NA & SA (Seoul Branch): 9th Floor, Hanhwa Bldg.,
#1, Jangkyo-dong, Chung-ku, Seoul 100-797
Mailing Address: CPO Box 3026, Seoul   Telex: K23294, Tel: 729-440l/5, Fax: 729-4580

Bank of California, N.A. (Seoul Branch):   12th Floor, Kyobo Bldg.,
#1, 1-ka Chongro, Chongro-ku, Seoul 110-714.
Mailing Address: KPO Box 329, Seoul   Telex: K22815, Tel: 721-1820, Fax : 732-9526

Bank of Hawaii (Seoul Branch):   10th Floor, OCI Bldg.,
#50, Sogong-dong, Chung-ku, Seoul 100-070
Mailing Address: CPO Box 5146, Seoul   Telex: K23589, Tel: 3179-114, Fax: 757-3516

Bank of New York (Seoul Branch):   23rd Floor, Young Poong Bldg.,
#33, Seorin-dong, Chongro-ku, Seoul 100-752
Mailing Address: CPO Box 4906, Seoul   Telex: K29553, Tel: 399-0001/6, Fax: 399-0055

Chase Manhattan (Seoul Branch):   Chase Plaza Bldg.,
#34-35, Jung-dong, Chung-ku, Seoul 100-120
Mailing Address: CPO Box 2249, Seoul   Telex: K23249, Tel: 7585-114, Fax: 758-5423

Citibank, N.A. (Seoul Branch):   CitiCorp Center Bldg.,
#89-29, Shinmoonro 2-ka, Chongro-ku, Seoul 110-062
Mailing Address: KPO Box 748, Seoul   Telex: K23293, Tel: 731-1114,   Fax: 734-5300

First Chicago NBD (Seoul Branch): 15th Floor, Oriental Chemical Bldg.,
#50, Sokong-dong, Chung-ku, Seoul 100-672
Mailing Address: CPO Box 7239, Seoul   Telex: K27534, Tel: 316-9700, Fax: 753-7917

American Banks with a Representative Office in Seoul

First Union National Bank, NA (Representative Office):   10th Floor, Samhwa Bldg.,
#21, Sogong-dong, Chung-ku, Seoul 100-070
Telex: K27966, Tel: 3706-3114, Fax: 3706-3141~3

List of Major Korean Banks in Seoul

Chohung Bank: #14, Namdaemoonro 1-ka, Choong-ku, Seoul 100-091
Telephone: 722-0997 Fax: 733-8904

Hana Bank: #101-1, Ulchiro 1-ka, Choong-ku, Seoul 100-191
Telephone: 2002-1111 Fax: 756-6358

Hanvit Bank: #130, Namdaemoonro 2-ka, Choong-ku, Seoul 100-092
Telephone: 752-9660 Fax: 754-7322

Housing & Commercial Bank: #36-3, Yoido-dong, Youngdeungpo-ku, Seoul 150-010
Telephone: 796-8380 Fax: 769-8293

Kookmin Bank: #9-1, Namdaemoonro 2-ka, Choong-ku, Seoul 100-092
Telephone: 3779-8445 Fax: 3779-8605

Koram Bank: #39, Da-dong, Chung-ku, Seoul 100-180
Telephone: 3455-2545 Fax: 3455-2966

Korea Exchange Bank: #181, Ulchiro 2-ka, Choong-ku, Seoul 100-192
Telephone: 729-8468 Fax: 775-8322

Korea First Bank: #100, Gongpyoung-dong, Chongno-ku, Seoul 110-160
Telephone: 3702-4795 Fax: 3702-4935

Peace Bank: #823-21, Yoksam-dong, Kangnam-ku, Seoul 135-080
Telephone: 2222-2114 Fax: 2222-2234

Seoul Bank: #10-1, Namdaemoonro 2-ka, Choong-ku, Seoul 100-092
Telephone: 3709-5618 Fax: 3709-6440

Shinhan Bank: #120, Taepyoungro 2-ka, Choong-ku, Seoul 100-102
Telephone: 756-0505 Fax: 774-7013

CHAPTER IX. BUSINESS TRAVEL

Business Customs

It is imperative that any American doing business in Korea realizes that Seoul is not Los Angeles. Every year Korea becomes more and more modern, but it is important to recognize that modern does not equal Western. Koreans will not expect you to be an expert on the nuances of their culture, but they will appreciate a show of interest in matters that are important to them. Koreans generally appreciate a foreigner's effort in expressing a thank you (gam-sa-ham-ni-da) or a hello (an-yang-ha-say-yo) in the Korean language.

Though Koreans have transitioned greatly into Western society, the traditional ways of thinking in many areas are still practiced. Koreans have a great respect for the family and hierarchy. Extended families (i.e. parents living with middle-aged married "children" and their grandchildren) are still commonplace, although this is rapidly changing. In the majority of Korean households, the father is the primary bread winner, while the mother stays at home. The social concept, economic necessity, and cultural desire of a double income family are still in their infant stages in Korea, although this is rapidly changing in the face of changing economic times. Though fathers are the primary income earners, in the majority of cases, salaries are entrusted to their wives, and most day to day consumption decisions are at the discretion of the female spouse. US companies may wish to take into consideration these traditional family roles when marketing to Korean consumers.

Even though Korean attitudes are making incremental changes and women are making progress, women professionals at the highest levels are still very rare. The majority of working women, many with top university degrees, are still relegated in Korean companies to secretarial jobs, assembly work positions, or educational work. Many qualified women welcome the opportunity to work as a professional with a foreign company whose attitudes toward gender equality and professional respect and responsibility prevail.

Koreans still have a great respect for anyone senior in age, and intuitively establish their hierarchical position relative to others based on age. Indeed, one of the fundamental principles of the Korean language is based on the plethora of verb endings which indicate the level of respect accorded to another person. In addition, a man generally receives more respect in the business world than a woman, though foreign businesswomen (especially, non-Asian looking women) are accorded almost an equal amount of respect as foreign businessmen. Single women generally receive less respect than married women whose ties to their husband oftentimes establish their position in society. The American businessperson, as a foreigner, is generally exempt from the above societal classification system, though one should be prepared to answer questions that Koreans may regard as common to establish societal hierarchy but which foreigners may regard as personal, such as questions of age, marital status, and wage earnings.

Americans should be ready to mix business with social life as the Koreans base their business relationships on personal ones. The heavy drinking of the Korean alcohol, Soju, beer, whiskey or other liquor is commonplace in establishing a personal, business relationship. Also commonplace is the “no-ray-bang” where a group of businesspeople go to an establishment to drink and sing along to a video machine playing music. As most no-ray-bang machines come equipped with songs in English, a businessperson may want to be prepared to sing at least one song in order to gain social favor with their Korean counterpart. Though not as common as the no-ray-bang, businessmen should also be aware of “room salons” where Korean women serve food and drink to their patrons.

When doing business, Americans should be sensitive to Korea's historical relationship with Japan which made a virtual colony of the Korean peninsula. Because of the Japanese colonial period, Koreans have an emotionally intense reaction at times to things Japanese, though there is an admiration for Japanese business acumen. A business person should show great respect towards Korean society. Any comparative mention of Japan versus Korea, where Japan has the upper edge may harm a business deal.

Korea still observes Confucian ethics based on a strong belonging to a group. Whereas an American may think in individual terms, (i.e., what is in my best interest?), the Korean oftentimes thinks in group terms, (i.e. what is in the best interest of the group and how can I help to maintain harmony within the group?) For this reason, the majority of Koreans are intensely patriotic, calling Korea by the term, “oo-ri-na-ra,” (“our” country). In order to close a deal during the context of negotiations, the benefits to the group, whether it is to the company or country, should be persuasively put forth.

For Koreans, relationships are all important; "cold calls" don't work -- introductions are crucial! Koreans want to do business with people with whom they have formed a personal connection or whereby a mutual intermediary has made an introduction. As alumni contacts are a major source of networking in Korea, a particularly well-connected Korean will have attended a prestigious Korean university like Yonsei University, Seoul National University, Korea University, or Ehwa Women’s University.

The exchange of business cards is very important and a means by which Koreans learn about the name, position and status of the other person. Koreans observe a very strict hierarchical code, where Koreans will generally meet to discuss business with persons of the same, parallel rank. Businesspersons should always have their (preferably bilingual) business cards at the ready and should treat the exchange of Korean counterpart's card with respect. (It is a sign of respect to receive and present items with both hands, followed in business etiquette by passing and receiving a card with the right hand. One should never give a card, or anything else for that matter, with the left hand as it shows disrespect). For historical reasons, Chinese characters, which Koreans can generally understand, are regarded as more sophisticated. As such, a business card written in Chinese characters can serve for a business trip to Korea, China, and Japan .

Negotiating style is particularly important. Koreans can prove subtle and effective negotiators, and a commitment to a rigid negotiating tact early on may work to the American's disadvantage. Your offer may include the best price, technology and profit potential but still be turned down because the Korean customer does not like your style.

An important point to keep in mind concerns the nature of reaching an agreement with a Korean firm. Westerners attach great importance to a written contract which specifies each detail of the business relationship. Koreans, on the other hand, value a contract as a loosely structured consensus statement that broadly defines what has been negotiated, but leaves sufficient room to permit flexibility and adjustment. The Korean Government has attempted to address this dual perception by formulating "model" contracts for licensing technology and other arrangements. Both parties must be assured the obligations spelled out in a negotiated contract are fully understood.

Most Koreans have three names. These names usually follow the Chinese pattern of a surname followed by two given names. In a Korean household, all brothers and sisters have the same last name and a common given name; the only distinguishing mark is the remaining given name. In addressing Koreans, foreigners should observe the use of surnames (e.g. Mr. Kim; Ms. Lee), using formal titles if possible (e.g. Dr. Yoo; Director Song). The most common last names are Kim, Lee, and Park. In the use of formal titles as appropriate, one should always be familiar with the complete name, including the two given names, for identification purposes, as there may be several Mr. Park’s or Doctor Lee’s in the same company and even the same work space.

Travel Advisory

Travelers with questions or concerns about traveling to Korea should check with the U.S. Department of State’s Office of Overseas Citizen Services, 2201 C Street, N.W., Washington, D.C. 20520. For recorded travel advisory information contact tel. 202-647-5225. For faxed travel advisory information sent to your fax machine, contact tel. 202-647-3000. Additional travel advisory information is available on the World Wide Web at http://travel.state.gov.

Although Korea has not yet made its mark as a tourist destination, with the Korean won devaluation, more and more foreigners are visiting Korea. In addition, Seoul has long been a well-established business center. Thus, Seoul has the selection of deluxe hotels one would expect. These hotels cater to the needs of busy professionals with business centers offering secretarial, translation and interpretation services, courier services, printing and photocopying, telecommunications, and equipment rental.

It is relatively easy to get to Korea from the United States. For direct flights, flying time ranges from 12-16 hours, depending on the point of departure. For those flights which include connection time, the trip from the East Coast of the U.S. to Korea can take as long as 24 hours, door to door. Kimpo International Airport, located 10 miles southwest of downtown Seoul, is the primary gateway to South Korea. Depending on the volume of traffic it can take anywhere from 45 minutes to two hours to travel from Kimpo Airport to Central Seoul. For information on Kimpo operations, English speakers can telephone 660-4114; Korean speakers can dial, 660-2114.

Visas

Although passports are required, visas are not required for American tourist or business visitors, or those in-transit, who wish to remain in Korea for up more to than 30 days and hold outbound tickets. (The day of arrival counts as day number one.) However, since there are no extensions and a substantial penalty at departure for those who exceed 30 days, it is a good idea to get a visa from a Korean embassy or consulate prior to coming to Korea, if the stay might approach two weeks.

American visitors may stay for up to 90 days, if one obtains a business or tourist visa before arriving in Korea. A photograph and a letter from an American company stating the purpose of travel must be submitted with the visa application; no written invitation from a Korean firm is required.

A long-term resident visa (beyond 90 days) is more difficult to obtain than a business or tourist visa. Application must be made to the Korean Ministry of Justice from outside Korea. An application for a long-term resident visa requires considerable documentation, including a letter of invitation from a Korean company and contractual evidence of legal employment. Since July 1, 1994, the Justice Ministry extended the length of stay authorized for some long-term foreign residents, and has simplified the visa renewal process by eliminating the 15-day, out-of-the-country waiting period. Renewals are available at overseas Korean diplomatic and consular missions and should be done before leaving the United States.

For help with all matters pertaining to Korean visas during a stay in Korea, businesspersons should contact the nearest immigration office under the Korean Ministry of Justice in Seoul. Upon arrival in Korea, an immigration card and customs declaration form (given on the plane) should be completed before reaching the first floor arrival processing area. No vaccination certificate is required for entrance under Korean quarantine regulations. In clearing customs, gifts with a value of up to $400 (which can include liquor up to one liter (33.8 fl. oz.), two ounces of perfume and 200 cigarettes) may be brought in duty-free by non-residents. Currency in excess of $10,000 must be declared.

For international departure from Kimpo there are two terminals: Terminal One for foreign carriers and Terminal Two for the two Korean airlines and seven other foreign carriers. At check-in a passenger service charge of Won 9,000 (about $6.50) must be paid. Also, the Cultural Preservation Properties Law prohibits the export of "significant" Korean cultural properties.

Non-residents must declare in writing to Korean Customs all foreign currency with a value in excess of $10,000 that they carry into or acquire in Korea. This rule is enforced. When buying Won in Korea be sure to keep the receipt(s) because re-exchange is allowed up to the amount specified; without receipts only $500 worth of won can be re-converted to dollars.

Non U.S. citizen visitors to the United States are allowed to bring in duty-free gifts with a value of up to $100. For travelers within this limit no written declaration is required. Additional gifts and other items which will remain in the United States are dutied at a rate of ten percent up to $1,000, and at variable rates thereafter.

Returning U.S. residents can bring in duty-free into the United States, articles totaling $400 in value when the articles are for personal use. After the $400 exemption, the next $1,000 worth of personal or gift items are dutied at a flat rate of ten percent. Beyond $1,400, various duty rates apply according to the item. Both residents and non-residents are limited to one carton of cigarettes, 100 cigars and one liter of alcoholic beverage or two ounces of perfume for duty-free import. The duty-free limit is $50 for bona fide gifts mailed to the United States. Every mail shipment must contain a written declaration.

Foreign-made personal articles are dutiable each time they are brought into the United States, unless one can prove prior possession. Articles bought in "duty free" shops in foreign countries are subject to U.S. customs duty. Articles purchased in U.S. "duty free" shops are also subject to U.S. duties if they are brought back into the United States.

Americans visiting Korea should be aware of possible trademark and copyright violations when purchasing articles in Korea. Makes such as Coach, Reebok, LA Gear, Gucci, Polo, Rolex, Disney, Chanel, and Warner Bros., and Members Only, and computer software and games are often counterfeit. Due to the high potential for counterfeiting, items bearing the above-named trademarks (and several others) can only be legally mailed or carried into the United States, if they are the authentic articles. By attempting to carry counterfeit goods through U.S. Customs, one runs the risk of having them confiscated. Possession of significant amounts of counterfeit goods can lead to criminal prosecution. Questions regarding the import of counterfeit goods into the U.S. should be directed to the U.S. Customs office at the Embassy in Seoul at 82-2-397-4644.

Korean National Holidays

1999

January 1, 2:	New Year Holidays
February 15, 16, 17:	Lunar New Year
March 1:	Independence Movement Day
April 5:	Arbor Day
May 5:	Children's Day

May 22:	Buddha's Birthday
June 6:	Memorial Day (Hyun Choong Il)
July 17:	Constitution Day (Je Hun Jul)
August 15:	Independence Day (Kwang Bok Jul)
September 23, 24, 25:	Korean Thanksgiving (Chusok) Days
October 3:	National Foundation Day (Kae Chun Jul)
December 25:	Christmas Day

Note: All holidays are annually fixed calendar days with the exception of Lunar New Year and Korean Thanksgiving (Chusok) Day which vary every year in timing and duration depending on the Chinese lunar calendar.

Business Infrastructure (e.g. Transportation, Language, Communications, Housing, Health, Food)

When visiting Korea on business, it is best to reserve your room well in advance. This is doubly true during Lunar New Year and Chusok because of the holiday season. Furthermore, it is a good idea to confirm your hotel reservation and any special requests by fax. One may contact the Korea National Tourism Corporation at tel. 82-2-757-0086, fax. 82-2-777-0102 and ask for an English assistant for help in finding a hotel, especially for hotels outside of Seoul. By faxing the Seoul Tourist Association on 82-2-556-3818/ 9 or calling 82-2-556-2356 one can request a comprehensive listing of Seoul hotels, inns and hostels.

Tipping is not customary, but a ten percent service fee is automatically charged at most hotels, as is a ten percent Value Added Tax. Many of the hotels offer attractive corporate discounts, but they are usually not available if you book through a travel agent. Finally, participants on official federal government programs (such as trade shows, "matchmakers" and other official trade missions) sponsored by the Commercial Service of the American Embassy or other entities of the U.S. government can often be accorded an Embassy discount rate at certain hotels.

Seoul's public transportation system is very well organized. With timely subways and city buses that service the whole city, the only real problem is the traffic. The seemingly endless rush-hour traffic can be a major hindrance, so early preparation, as well as lots of patience, is required.

Thanks to the new non-stop limousine bus service commissioned by the government and operated by Korean Air Lines, travel from the airport to the major hotels is quite easy. The fare is 5,000 Korean won (about US$3.60) one-way and 3,000 Korean won (about US$ 2.15) for children between six to twelve years of age. As an added convenience the buses are equipped with pay phones and tourist information and travel to the major deluxe hotels about every 20 minutes. In addition, a subway line connects Kimpo airport to the rest of Seoul.

Seoul boasts a world-class trade resource known as the Korea World Trade Center (KWTC). Included at this site are the Trade Tower, the Korea Exhibition Center (KOEX), the City Air Terminal, a convention center and a major international hotel.

Most private offices are open from 8:30 a.m. to 6:00 p.m. weekdays and from 9:00 a.m. to 12:00 p.m. on Saturdays. Some companies are beginning to provide Saturday mornings or every other Saturday off. Korean Government offices keep similar hours, except for a 5:00 p.m. closing from November through February. Banking hours are from 9:30 a.m. to 4:30 p.m. on weekdays and 9:30 a.m. to 1:30 p.m. on Saturdays.

The U.S. Embassy is officially open from 8:30 a.m. to 5:00 p.m. weekdays and closed on Saturdays, Sundays, and American and Korean holidays. The Embassy Consular Section's American Citizen Service Office is open 9:30 AM-11:30 and 1:30-3:30 PM each weekday except Wednesday. Recorded information on passport, notarial and other ACS services is available 24 hours a day at 397-4603/4604.

U.S. business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office,Washington, D.C. 20402, tel. (202) 512-1800, fax (202) 512-2250. Business travelers to Korea seeking appointments with U.S. Embassy Seoul officials should contact the commercial section in advance. The commercial section can be reached by telephone at 82-2-397-4221, by fax at 82-2-739-1628.

For further information from the U.S. Embassy in Seoul, the U.S. Embassy has a website: www.usia.gov/posts/seoul. Finally, for information on commercial events and the Commercial Service Korea, interested American businesspersons can search the following website address: www.cskorea-doc.gov.

CHAPTER X. APPENDICES
Economic and Trade Statistics

Appendix A: Country Data

- Population: 46.0 million (1998)
- Population growth rate: 1.0 percent
- Religions: Buddhist (28%); Christian (24%); Other (4%); No affiliation (44%). Strong Confucian traditions.
- Government system: Representative democracy with a popularly-elected president, who is Chief of State and Head of Government, and a unicameral National Assembly.
- Languages: Korean, with English widely taught in schools.
- Work Week: Monday to Saturday; Average work week of 47.5 hours.

Appendix B: Domestic Economy

(In million U.S. Dollars unless otherwise noted)

	1996	1997	1998	1999 (est)
GDP (billions)	484.4	476.6	321.3	400.0
Real GDP growth rate (percent)	6.8	5.0	-5.8	4.0
GDP per capita (US dollars)	10,543	10,590	6,800	8,500
Government Spending as % of GDP	21.9	22.2	23.4	25.0
Retail inflation rate (percent)	4.9	4.5	7.5	2.0
Foreign Exchange Reserves (end-period)	33,237	20,406	52,041	58,000
Average Exchange Rate (won per US$1)	804.8	951.1	1,398.9	1,200.0
Gross Foreign Debt	157,500	158,000	149,350	140,000
Debt Service Ratio	7.5	7.5	9.0	8.0

U.S. Military/ Economic Assistance	0	0	0	0

Appendix C: Trade (In million U.S. Dollars)

	1996	1997	1998	1999/1
Total ROK Exports	129,715	136,164	132,313	30,342
Total ROK Imports	150,339	144,616	93,282	25,570
ROK Exports to U.S.	21,670	21,625	22,805	5,820
ROK Imports from U.S.	33,305	30,122	20,403	5,839
U.S. Share of ROK Imports (percent)	22.2	20.8	21.9	22.8

/1 First Quarter 1999

Appendix D: Investment Statistics

Table 1: SUMMARY OF FOREIGN EQUITY INVESTMENT NOTIFICATIONS (US$ millions)

	New/Additional	Cumulative Approvals/ Notifications
1962-66	47.4 (39)	47.4 (42)
1967-71	218.6 (350)	226.0 (392)
1972-76	879.4 (851)	1,145.4 (1,243)
1977-81	720.6 (244)	1,866.0 (1,487)
1982-86	1,767.7 (565)	3,633.7 (2,052)
1987	1,060.2 (363)	4,693.9 (2,415)
1988	1,282.7 (342)	5,976.6 (2,757)
1989	1,090.3 (336)	7,066.9 (3,093)
1990	802.5 (295)	7,869.4 (3,399)
1991	1,396.0 (286)	9,265.5 (3,696)
1992	894.5 (233)	10,163.4 (3,905)
1993	1,044.3 (274)	11,208.5 (4,178)

1994	1,316.5 (414)	12,525.1 (4,592)
1995	1,941.3 (556)	14,466.4 (5,148)
1996	3,202.6 (596)	17,669.0 (5,744)
1997	6,970.9 (638)	24,640.1 (6,382)
1998	8,852.4 (797)	33,492.0 (7,179)
1999 Jan-Mar	2,003.8 (264)	35,496.2 (7,443)

Notes:- Recorded on an approval or notification acceptance basis. - Figures in parenthesis indicate number of new projects. Source: Ministry of Finance and Economy (MOFE).

Table 2: NOTIFICATIONS/APPROVALS OF FOREIGN EQUITY INVESTMENT BY MAJOR COUNTRIES, 1962-Mar 1999 (US$ million)

	Total	U.S.	Japan	Europe	Others
1962-76	1,145.4	255.3	725.1	58.7	106.3
	(1,266)	(188)	(985)	(35)	(58)
1977-81	720.6	235.7	300.9	64.2	119.8
	(251)	(67)	(132)	(26)	(26)
1982-86	1,767.7	581.6	876.2	117.7	192.2
	(579)	(168)	(276)	(58)	(77)
1987	1,063.3	255.1	497.0	149.6	161.6
	(372)	(93)	(206)	(31)	(42)
1988	1,282.7	284.4	696.2	217.0	85.1
	(352)	(104)	(177)	(45)	(26)
1989	1,090.3	28.8	461.5	160.1	139.9
	(349)	(97)	(145)	(59)	(48)
1990	802.5	317.5	235.8	177.9	71.3
	(306)	(84)	(145)	(39)	(38)
1991	1,396.0	296.3	266.2	733.3	100.3
	(297)	(86)	(112)	(51)	(48)
1992	894.5	379.2	155.2	231.6	128.5
	(233)	(70)	(72)	(42)	(49)
1993	1,044.3	340.7	285.9	295.3	122.4
	(274)	(69)	(85)	(42)	(78)
1994	1,316.5	310.9	424.4	226.7	354.5
	(414)	(115)	(132)	(50)	(117)
1995	1,941.3	644.9	417.8	470.1	408.5
	(556)	(161)	(168)	(90)	(137)
1996	3202.6	876.1	254.6	1058.3	1013.7
	(596)	(167)	(154)	(124)	(151)
1997	6,970.9	3,189.6	265.7	2,409.4	1,106.2

	(664)	(181)	(134)	(131)	(218)
1998	8,852.4	2,974.5	503.8	2,968.4	2,405.7
	(831)	(261)	(179)	(158)	(233)
1999 Jan-Mar	2,003.8	747.6	118.7	880.5	257.0
	(264)	(74)	(42)	(47)	(101)
TOTAL	35,496.2	12,003.4	6,454.7	10,842.3	6,195.8
1962-Mar 1999	(7,663)	(2,175)	(3,148)	(1,229)	(1,111)

Notes:
- Recorded on an approval or notification acceptance basis.
- Figures in parenthesis indicate number of new projects. Investments by multiple sources were counted individually, resulting in larger number of projects compared to table 1.

Source: Ministry of Commerce, Industry and Energy (MOCIE).

EQUITY INVESTMENT BY INDUSTRY, 1996-Mar 1999 (US$ millions)

	Cumulative 1962-Mar '99	1996	1997	1998	1999 Jan-Mar
Agriculture/Fishery	225.6 (98)	- -	39.1 (7)	157.3 (8)	4.6 (-)
-Agriculture	217.0 (55)	- -	38.9 (6)	156.9 (4)	4.6 (-)
-Fishery	8.7 (43)	- -	0.1 (1)	0.4 (4)	- -
Mining	74.0 (49)	18.2 (1)	16.2 (1)	21.7 (1)	- -
Manufacturing	19,348.5 (3,962)	1,930.1 (196)	2,347.9 (186)	5,735.3 (266)	655.6 (77)
-Food Processing	2,727.4 (245)	252.9 (13)	850.6 (9)	718.9 (18)	0.6 (4)
-Textiles/Clothing	527.1 (318)	21.0 (5)	85.2 (9)	18.0 (22)	27.0 (11)
-Wood/Paper	2,180.5 (84)	83.3 (5)	196.0 (3)	1,643.8 (7)	5.5 (1)
-Chemicals	3,576.5 (534)	388.5 (39)	234.6 (24)	755.6 (41)	57.8 (8)
-Fertilizers	50.2 (8)	- -	- -	0.2 (1)	- -
-Pharmaceuticals	720.3 (103)	31.9 (1)	43.7 (4)	134.4 (7)	32.9 (1)
-Petroleum	946.6 (19)	214.5 (1)	3.0 (1)	0.9 (-)	- -
-Ceramics	647.2 (105)	47.0 (4)	53.7 (4)	279.0 (7)	41.0 (1)
-Metals	333.8 (242)	13.0 (11)	13.8 (8)	7.2 (8)	65.5 (3)
-Machinery	1,874.9 (797)	158.6 (56)	166.1 (38)	587.5 (52)	133.1 (14)
-Electronics	4,061.6 (642)	435.6 (42)	291.0 (51)	1,377.2 (61)	227.2 (21)
-Transport Equip.	1,895.4 (206)	271.4 (8)	394.5 (15)	179.7 (13)	59.4 (7)
-Others	207.0 (459)	12.5 (11)	15.8 (20)	32.8 (29)	5.8 (6)
Services	15,848.1 (3,334)	1,254.3 (398)	4,567.8 (444)	2,938.0 (522)	1,343.6 (187)
-Electricity & Gas	500.5 (8)	34.0 (2)	45.0 (1)	344.0 (2)	51.5 (2)
-Construction	180.7 (65)	31.7 (9)	64.1 (14)	5.2 (10)	2.5 (5)
-Wholesale/Retail	2,159.5 (310)	296.9 (62)	891.8 (66)	474.3 (50)	207.6 (17)
-Foreign Trade	1,256.9 (1,442)	126.2 (151)	233.2 (172)	284.2 (239)	62.3 (81)
-Restaurants	108.5 (146)	8.1 (22)	3.0 (18)	18.0 (18)	0.7 (10)
-Hotels	5,712.2 (141)	228.4 (10)	2,595.6 (17)	302.7 (8)	203.3 (5)
-Trnsprt/Wrhouse	258.4 (146)	149.7 (27)	32.8 (19)	12.4 (17)	1.1 (9)
-Banking	2,621.9 (136)	249.7 (11)	264.7 (6)	505.6 (13)	190.3 (6)
-Insurance	409.1 (23)	16.0 (3)	15.1 (2)	74.0 (-)	45.6 (-)
-Real Estate	3.9 (17)	1.3 (2)	- -	2.1 (12)	0.6 (3)
-Others	2,636.5 (920)	112.4 (99)	421.8 (129)	915.7 (153)	578.0 (49)
TOTAL	35,496.2 (7,443)	3,202.6 (596)	6,970.9 (638)	8,852.4 (797)	2,003.8 (264)

Notes:
- Recorded on an approval or notification acceptance basis.
- Figures in parenthesis indicate number of new projects.

Source: Ministry of Commerce, Industry and Energy (MOCIE).

CHAPTER XI: U.S. and Country Contacts

Appendix E: U.S. and Country Contacts

Non-U.S. Government Contacts

Mr. Joon Suk JUNG
Commercial Counselor
Embassy of the Republic of Korea
2450 Massachusetts Ave., NW
Washington DC 20008
Tel. 202-939-5667, Fax. 202-939-5669

Mr. Moo Han KIM, Manager
Korea International Trade Association (KITA)
1800 K Street, NW Suite 700
Washington, DC 20006
Tel. 202-828-4400, Fax. 202-828-4404

Mr. Oh Nam Kwon, Director
Korea Trade Center (KOTRA)
1129 20th Street, NW #410
Washington, DC 20036
Tel. 202-857-7919/21, Fax. 202-857-7923

The American Chamber of Commerce in Korea
2nd Floor, Westin Chosun Hotel
87 Sokong-Dong, Chung-Ku
Seoul 100-070, KOREA
Tel. 753-6471
Fax. 755-6577

U.S. Government Contacts in Washington, D.C.

Dan Duvall (export counseling)/ William Golike (policy)
Asia Business Center/Desk Officer for Korea
US Department of Commerce
14th and Constitution Avenue, NW
Washington, DC 20230

Tel. 202-482-2522, Fax. 202-482-4453

Mary Latimer
Director for Korean Affairs
Office of the United States Trade Representative
Winder Bldg., 600 17th Street, N.W.
Washington, D.C. 20506
Tel. 202-395-6813/ 4755, Fax. 202-395-3911

Anne Galer / Ruth Hall
Desk Officers for South Korea
US Department of State
2201 C Street, NW, Rm 5313
Washington DC 20520
Tel. 202-647-7717, Fax. 202-647-7388.

Mark Giancola
International Economist
Office of East Asian Nations
U.S. Department of the Treasury
15 th and New York Avenue, NW
Room 4416
Washington, DC 20220
Tel. 202-622-1727, Fax. 202-622-0349

The Trade Promotion Coordinating Committee (TPCC)
Trade Information Center, US Department of Commerce
14th and Constitution Ave., NW
Washington DC 20230
Tel. 1-800-USA-TRADE, Fax. 202-482-4473

Trade Assistance & Promotion Office
U.S. Department of Agriculture/Foreign Agricultural Service/AGX
Box 1052, 14th & Independence Ave., SW
Washington DC 20250-1052
Tel. 202-720-7420, Fax. 202-205-9728
www.fas.usda.gov

Bureau of Export Administration
U.S. Department of Commerce

Export Counseling Division
Office of Export Services
14th & Constitution Ave., NW
Rm 1099D
Tel. 202-482-4811, Fax. 202-482-3617
www.bxa.doc.gov

Janice Mazur
The World Bank
The Commercial Service Liaison Staff
Office of the U.S. Executive Director
1818 H Street, NW
Washington, DC 20433
Tel. 202-458-0118/1954
Fax. 202-477-2967
E-mail: Janice.Mazur@mail.doc.gov

Bert Lomax
Business Development Officer for Asia
Business Development
Export-Import Bank of the United States (Eximbank)
811 Vermont Ave., NW
Washington, DC 20571
Tel. 202-565-3917, Fax. 202-565-3931

Diana K. Jensen
Senior Investment Officer, Project Finance
Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, DC 20527
Tel. 202-336-8594
Fax. 202-218-0314

Manisha Kothari and Amy Everitt
Country Managers for Asia
Regional Director-Asia/Pacific
U.S. Trade and Development Agency
1621 North Kent Street., Suite 300
Arlington, VA 22209-2131
Tel. 703-875-4357, Fax. 703-875-4009

Contacts at the American Embassy in Seoul

John E. Peters, Minister-Counselor for Commercial Affairs
US&FCS, Unit 15550
American Embassy in Seoul
APO AP 96205-0001
Tel. 82-2-397-4535, Fax. 82-2-739-1628
Website: www.cskorea-doc.gov

Benjamin Fairfax, Minister-Counselor for Economic Affairs
Economic Section, American Embassy in Seoul
Unit 15550
APO AP 96205-0001
Tel. 82-2-397-4400, Fax. 82-2-722-1429

Youngeun Anderson, Counselor for Scientific & Technological Affairs
Science & Technology Affairs, American Embassy in Seoul
Unit 15550
APO AP 96205-0001
Tel. 82-2-397-4159, Fax. 82-2-722-1429

William Brant, Minister-Counselor for Agricultural Affairs
Agricultural Affairs Office (AGAFF)
American Embassy in Seoul
Unit #15550
APO AP 96205-0001
Tel. 82-2-397-4297, Fax. 82-2-738-7147

Daryl Brehm, Director
Agricultural Trade Office (ATO)
Room 303, Leema Building
146-1, Soosong-dong, Chongro-ku
Seoul, Korea
Tel. 82-2-397-4188, Fax. 82-2-720-7921

Richard C. Hermann, Consul General
American Embassy in Seoul
Unit #15550
APO AP 96206-0001
Tel. 82-2-397-4204, Fax. 82-2-725-6843

David Straub, Minister-Counselor for Political Affairs
Political Section, American Embassy in Seoul
Unit 15550
APO AP 96205-0001
Tel. 82-2-397-4210, Fax. 82-2-733-4791

Jeremy Curtin, Minister-Counselor for Public Affairs
U.S. Information Service, Unit 15550
American Embassy in Seoul
APO AP 96205-0001
Tel. 82-2-397-4436, Fax. 82-2-794-2889

William Allen, Customs Attache
U.S. Customs Service, Unit 15550
American Embassy in Seoul
APO AP 96205-0001
Tel. 82-2-397-4644, Fax. 82-2-736-6850

Col. Thomas J. Rini
Joint US Military Affairs Group, Korea (JUSMAG)
Unit 15339
APO AP 96203-0187
Tel. 82-2-7915-3292, Fax. 82-2-793-3846

Col. Thomas Riley, Defense Attache
Unit 15550, American Embassy in Seoul
APO AP 96205-0001
Tel. 82-2-397-4254, Fax. 82-2-725-5262

List of Select Korean Government Officials
(compiled by the Political Section of the U.S. Embassy; based on Official Gazettes of the Republic of Korea and Newspaper reports; edited for the purposes of this Country Commercial Guide. Names are listed according to the preferred spelling.)

(Note: Telephone dialing information when calling from outside of Korea: 82 is the country code for Korea, followed by 2 which is the city code for Seoul)

BLUE HOUSE (CHONG WA DAE) 770-0011

1, Sejong-ro, Chongro-ku, Seoul (110-050)

The President Kim Dae-jung
(First Lady, Lee Hee-Ho)

Presidential Secretariat

Chief of Staff to the President	Kim Joong-Kwon	770-0072
Protocol Secretary	Kim Ha-Joong	770-0071
Senior Secretary for Political Affairs	Kim Jung-Kil	770-0005
Senior Secretary for Economic Affairs	Lee Ki-Ho	770-0090
Senior Secretary for Foreign Policy & National Security	Hwang Won-Tak	770-0037
Senior Press Secretary (Spokesman)	Park Joon-Yung	770-0081
Senior Secretary for Education & & Culture	Cho Kyu-Hyang	770-0209
Senior Secretary for Policy Planning	Kim Han-Gill	770-0577
Senior Secretary for Labor & Welfare	Kim Yoo-Bae	770-0690
Senior Secretary for Civil Affairs and Petition	Kim Sung-Jae	770-0027

National Security Council

Secretary General	Hwang Won-Tak	770-0037
Deputy Secretary General	Vacancy	770-0631/3

Advisory Council on National Science & Technology
48-25, Ineui-dong, Chongro-ku, Seoul (110-410)

Chairman	Park Ik-Soo	3672-3874

Special Council for Small-Medium Industries
2, Choongang-dong, Kwacheon, Kyunggi Province (427-010)

Chairman	Ahn Byung-Woo	507-6640

OFFICE OF THE PRIME MINISTER
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Prime Minister	Kim Jong-Pil	737-0l07
Minister, Office for Government Policy Coordination	Chung Hae-Joo	720-2003
Chief Secretary	Kim Yong-Chae	737-0095
Secretary for Protocol	Kang Eui-Choo	720-2001
Secretary for Political Affairs	Han Jung-Kil	737-0098
Secretary for Petitions & Information	Kang Tae-Yong	720-3831
Secretary for General Affairs	Chang Dong-Hwan	737-0094
Chairman, Emergency Planning Committee	Kim Jin-Seon	503-7701

Ministry of Legislation
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Minister	Kim Hong-Dae	720-4471

The Ombudsman of Korea
267, Mikeun-dong Seodaemoon-ku, Seoul (110-020)

Chairman	Choo Kwang-Il	313-1271

Fair Trade Commission
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Chairman	Jeon Yun-Churl	503-9009

Financial Supervisory Commission
27, Yoido-dong, Youngdeungpo-ku, Seoul (150-602)

Chairman	Lee Hun-Jae	3771-5001

MINISTRY OF FINANCE AND ECONOMY
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Kang Bong-Kyun	503-9001
Vice Minister	Um Nak-Yong	503-9006
Deputy Minister	Lee Keun-Kyung	503-9018
Public Information Officer	Chang Soo-Man	503-9019
Planning & Management Office	Lee Young-Hoi	503-9013
Tax & Customs Office		
Director General for	Lee Yong-Sup	503-9207

Overall Tax Affairs		
Director General for Property & Consumption Taxes	Choi Kyung-Soo	503-9220
Director General for Customs & Tariff	Shim Dal-Sup	503-9230
Financial Policy Bureau		
Director General for Financial Policy	Yoo Ji-Chang	503-9240
Director General for International Finance	Kim Young-Duck	503-9266
Economic Cooperation Bureau	Bae Young-Sik	503-9134
Economic Policy Bureau	Hyun Osuk	503-9044
Treasury Bureau	Kim Woo-Suk	503-9279
Welfare & Consumer Policy Bureau	Kim Yong-Hui	503-9057

National Tax Administration
108-4, Soosong-dong, Chongro-ku, Seoul (110-140)

Administrator	An Chung-Nam	397-1201

Korea Customs Service
71, Nonhyun-dong, Kangnam-ku, Seoul (135-702)

Commissioner	Kim Ho-Sik	543-8245

Office of Supply
520-3, Banpo-dong, Seocho-ku, Seoul (137-040)

Commissioner	Kim Byung-Il	(042)472-2231

National Statistical Office
920, Doosan-dong, Seo-ku, Kwangyeok-si, Daejoen City (302-701)

Commissioner	Yoon Young-Bae	(042)481-2100

MINISTRY OF FOREIGN AFFAIRS AND TRADE
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Minister	Hong Soon-Young	720-2301
Vice Minister	Sun Joun-Yung	720-2305
Deputy Minister for Foreign Affairs	Jang Jai-Ryong	732-2306
Spokesman	Lee Ho-Jin	720-2687

Office of Planning & Management

Deputy Minister for Planning & Management	Kim Yong-Kyoo	720-2341
Senior Coordinator for Planning & Management	Park Shin-Woong	730-5911
Senior Coordinator for Information Management	Nam Koong-Kyung	720-2838

Office of Policy Planning

Deputy Minister for Policy Planning	Kim Sam-Hoon	720-3379
Director General for International Organization	Lee Kyu-Hyung	720-2333
Director General for Policy Planning	Hwang Yong-Shik	720-2358
Director General for Intelligence Evaluation & Management	Shin Kook-Ho	720-3185

Office of Protocol

Chief of Protocol	Choi Sang-Duk	720-2403
Deputy Chief of Protocol	Lee Chun-Seun	720-4914

Asian & Pacific Affairs Bureau

Director General	Cho Jung-Pyo	720-2316

North American Affairs Bureau

Director General	Kwon Dae-Hyun	720-2029

Latin American & Caribbean Affairs Bureau

Director General	Cho Yong-Ha	720-3356

European Affairs Bureau

Director General	Park Jay-son	720-2347

Middle East & African Affairs Bureau

Director General	Song Young-Oh	720-4480

Treaties Bureau

Director General	Choi Seung-Ho	725-1015

Cultural Affairs Bureau

Director General	Jung Young-Jo	725-7602

<u>Overeas Resident & Consular Affairs Bureau</u>

Director General	Chung Shin	720-2343

Office of Minister of State for Trade

Minister of State for Trade	Han Duck-Soo	737-6200
Deputy Minister of State for Trade	Chung Eui-Yong	734-4100
Director General Multilateral Trade Bureau	Lee Jae-Kil	738-4100
Director General Bilateral Trade Bureau	Choe Jong-Hwa	720-3909
Director General International Economic Affairs Bureau	Oh Haeng-Kyeom	720-2045

Institute of Foreign Affairs & National Security (IFANS)
1376-2, Seocho 2-dong, Seocho-ku, Seoul (137-072)

Chancellor	Park Sang-Seek	571-1011

<u>MINISTRY OF UNIFICATION</u>
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Minister	Lim Dong-Won	738-0064
Vice Minister	Yang Young-Shik	738-0067
Public Information Officer	Shin Eun-Sang	736-7203
Planning & Management Office	Lee Ho	738-0069
Unification Policy Office	Kim Hyung-Ki	738-0169
Information Analysis Office	Sohn In-Kyo	738-0165
Intra-Korea Interchange & Cooperation Bureau	Hwang Ha-Soo	738-0170
Humanitarian Affairs Bureau	Cho Kun-Shik	738-7520

Institute of Political Education for Unification
535-353, Sooyu 6-dong, Kangbook-ku, Seoul (110-076)

Administrator	Cho Chi-Hyun	997-0548

Office of the South-North Dialogue
San 3-25, Waryong-dong, Chongro-ku, Seoul (110-360)

Director General	Chung Da-Kyu	735-6001

Office of Planing for LWR Project
San 3-25, Waryong-dong, Chongro-ku, Seoul (110-360)

Administrator	Chang Sun-Sup	733-7122
Special Assistant	Cho Kyu-Hyung	733-7122
Director General Policy Coordination Division	Hong Yang-Ho	733-7123
Director General International Cooperation Division	Chun Young-Woo	733-7124 730-2327
Director General Financing Support Division	Moon Chang-Mo	730-2324
Director General Construction Technology Division	Huh Moon	730-2329

MINISTRY OF JUSTICE
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Kim Jung-Kil	503-7001
Vice Minister	Kim Kyung-Han	503-7003
Public Information Officer	Park Young-Yul	503-7011
Planning & Management Office	Rhee Beum-Kwan	503-7005
Legal Affairs Office	Song Kwang-Soo	503-7006
Prosecution Bureau	Han Boo-Hwan	503-7007
Correction Bureau	Lee Soon-Kil	503-7009
Social Protection & Rehabilitation Bureau	Jung Choung-Soo	503-7008
Immigration Bureau	Kim Soo-Young	503-7010

Public Prosecutions Administration
1730-1, Seocho-dong, Seoch-ku, Seoul (137-730)

Prosecutor General	Park Soon-Yong	3480-2000
Chief, Seoul High Prosecutor's Office	Kang Shin-Wook	536-3201
Chief, Seoul District Prosecutor's Office	Im Hwi-Youn	536-5301

MINISTRY OF NATIONAL DEFENSE

1, Yongsan-dong 3-ka, Yongsan-ku, Seoul (140-023)

Minister	Mr. Cho Sung-Tae	748-6000
Vice Minister	Mr. Park Yong-Ok	748-6100
Spokesman	BG Yoon Il-Young	748-6703
Chief Protocol Officer	CAPT Kim Sung-Chan	748-6031
Assistant Minister	Mr. Lee Jong-Kyu	748-6130
Deputy Minister for Planning & Management	Mr. Moon Dong-Myung	748-6120
Policy Counselor to the Minister	LTG Kim In-Jong	748-6110
Director General Policy Planning Office	MG Lee Sang-Hee	758-6200
Deputy Director General Force Improvement Programming Bureau	BG Kim Tae-Young	748-6203
Director General Project Coordination Bureau	COL Kim Young-Han	748-5500
Policy Counselor to the Minister	LTG Kim In-Jong	748-6110
Director General Policy Planning Office	MG Lee Sang-Hee	748-6200
Deputy Director General	BG Kim Tae-Young	748-6203
Director Policy Coordination Division	COL Han Min-Koo	748-6210
Director Domestic Affairs Division	COL Yoon Woo-Joo	748-6220
Director U.S. Policy Division	COL Hwang Eui-Don	748-6230
Director Foreign Policy Division	Mr. Kim Kwang-Woo	748-6240
Director General Arms Control Office	BG Ryoo Jin-Kyu	748-6300
Deputy Director General	COL Kim Kook-Hun	748-6303
Director Arms Control Planning Division	COL Kim Dong-Ki	748-6310
Director Inter-Korean Negotiation Division	COL Kim Jeong-Gi	748-6320
Director International Disarmament Division	COL Shin Moon-Sik	748-6330
Deputy Minister for Acquisition	Mr. Moon Il-Sup	748-6140
Director General International Program Bureau	Mr. Kang Heang-Jung	748-5500

Director General Research & Development Bureau	BG Chai Woo-Suk	748-5411
Director General Acquisition Policy Bureau	MG Lee Won-Hyung	748-5600
Director General Military Equipment Management Bureau	MG Lee Sung-Woo	748-5700
Director General Personnel & Welfare Bureau	MG Yang Woo-Chun	748-5100
Director General Mobilization Bureau	MG Kim Bong-Chul	748-5200
Director General Military Installation Bureau	MG Yoon Yea-Il	748-5800

Republic of Korea Army

Chief of Staff	GEN Kim Dong-Shin	7913-6929

Republic of Korea Navy

Chief of Naval Operations	ADM Lee Soo-Young	815-3566

Republic of Korea Air Force

Chief of Staff	GEN Park Chun-Taek	7913-6021

ROK-US Combined Forces Command (CFC)

Deputy Commander in Chief	GEN Chung Young-Moo	7915-6281

Joint Chiefs of Staff (JCS)

Chairman	GEN Kim Jin-Ho	748-3001

Defense Security Command

Commander	LTG Lee Nam-Shin	748-7200

Korea Institute for Defense Analyses

President	Mr. Jang Chang-Kyu	748-7279

Korea National Defense University

President	LTG Kim Hee-Sang	748-7220

MINISTRY OF SCIENCE AND TECHNOLOGY

1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Seo Jung-Uck	503-7601

Vice Minister	Cho Kun-Ho	503-7662
Public Information Officer	Kim Sang-Sun	503-7608
Planning & Management Office	Yu Hee-Yol	503-7623
Office of Science & Technology Policy	Jun Eui-Jin	504-7630
Director General for Research & Development	Choi Seok-Sik	503-7631
Director General for Science & Technology Cooperation	Kim Sang-Seon	503-7663
Director General for Basic Science & Manpower	Chung Yoon	503-7616
Director General for Nuclear Energy	Lee Hun-Kyu	507-0558
Director General for Nuclear Safety	Kim Yong-Hwan	503-3244

Korea Meteorological Administration
460-18, Shindabang-dong, Dongjak-ku, Seoul (156-720)

Administrator	Moon Sung-Eui	832-8605

MINISTRY OF CULTURE AND TOURISM
82, Sejong-ro 1-ka, Chongro-ku, Seoul (110-050)

Minister	Park Jie-Won	3704-9000
Vice Minister	Kim Soon-Kyu	3704-9010
Public Information Officer	Park Yang-Woo	3704-9030
Assistant Minister	Lee Hong-Suk	3704-9020
Planning & Management Office	Park Moon-Suk	3704-9200
Religious Affairs Office	Kim Soon-Kil	3704-9300
Cultural Policy Bureau	Oh Jee-Chul	3704-9400
Arts Bureau	Yoon Chung-Ha	3704-9500
Culture & Industry Bureau	Lim Byoung-Soo	3704-9600
Tourism Bureau	Shin Hyun-Taek	3704-9700
Sports Bureau	Bae Jhong-Shin	3704-9800
Youth Bureau	Noh Tae-Sup	3704-9900

Cultural Properties Administration
920, Doonsan-dong, Seo-ku, Kwangyeok-si, Daejeon City (302-701)

Administrator	Seo Jeong-Bae	(042) 472-3400

MINISTRY OF AGRICULTURE AND FORESTRY
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Kim Sung-Hoon	503-7203
Vice Minister	Kim Dong-Tae	503-7205
Public Information Officer	Chung Hak-Soo	503-7210
Planning & Management Office	Ahn Jong-Woon	503-7207
Deputy Minister	Park Chang-Jung	503-7206
Agriculture Information & Statistics	Lee Soo-Hwa	503-7250
Agriculture Policy Office	Suh Sung-Bae	503-7268
Int'l Agriculture Bureau	Choi Yong-Kyu	503-7290
Rural Development Bureau	Sohn Chung-Soo	503-7300
Marketing Policy Bureau	Kim Joo-Soo	503-7310
Agricultural Production & Horticulture Bureau	Lee Hun-Mok	503-7280
Livestock Bureau	So Man-Ho	503-7330

Rural Development Administration
Seodoon-dong, Kwonseon-ku, Suwon City, Kyunggi Province (441-100)

Administrator	Lee Eun-Jong	(0331) 292-4201/3

Forestry Administration
207, Chungryangri 2-dong, Dongdaemoon-ku, Seoul (130-012)

Administrator	Kim Dong-Keun	(042) 472-3211

MINISTRY OF COMMERCE, INDUSTRY AND ENERGY
1, Choongang-dong, Kwacheon, Kyunggi-do (427-760)

Minister	Chung Duck-Koo	500-2301
Vice Minister	Oh Young-Kyo	500-2302
Director General for Public Information	Lee Gam-Yeol	500-2305
Inspector General	Han, Young-Soo	500-2354
Planning & Management Office	Kim Kyun-Sup	500-2320
Electric Power Industry Restructuring Bureau	Kim Young-Joon	500-2436
General Service Division	Lee Seoung-Hoon	500-2340
Trade & Investment Policy Office	Cho Whan-Ik	500-2330
Energy & Resources Policy Office	Chung Jang-Sup	500-2719

Industrial Policy Bureau	Kim Jong-Kap	500-2417
Technology Policy Bureau	Koo Bon-Ryong	500-2430
Capital Goods Industries Bureau	Ha Young-Keun	500-2474
Electronics, Textile & Chemical Industries Bureau	Kim Jae-Hyun	500-2526
Korean Trade Commission	Lee Seok-Young	504-0103

Small-Medium Business Administration
2, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Administrator	Han Joon-Ho	503-7900

Korea Industrial Property Office
4-dong, Government Complex, 920, Doosan-dong, Seo-ku, Daejeon City (302-701)

Administrator	Oh Kang-Hyun	(042) 481-5001

MINISTRY OF INFORMATION AND COMMUNICATION
100, Sejong-ro, Chongro-ku, Seoul (110-777)

Minister	Namgoong-Suek	750-2001
Vice Minister	Ahn Byong-Yub	750-2020
Public Information Officer	Yoo Young-Hwan	750-2800
Planning & Management Office	Kim Dong-Sun	750-2100
International Cooperation Office	Rho Jun-Hyong	750-1400
Information and Communication Policy Office	Kong Jong-Ryul	750-2300
Informatization Planning Office	Byun Jae-Ill	750-1200
Information & Communication Promotion Bureau	Kim Chung-Kon	750-2060
Radio & Broadcasting Bureau	Suk Ho-Ick	750-2400
Posts Bureau	Hwang Joong-Yeon	750-2200
Postal Savings, Insurance & Finance Bureau	Sohn Hong	750-2500

MINISTRY OF HEALTH AND WELFARE
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Cha Heung-Bong	503-7500
Vice Minister	Lee Jong-Yoon	503-7502

Public Information Officer	Om Young-Jin	503-7504
Planning & Management Office	Kim Jong-Dae	503-7519
Social Welfare Policy Office	Lee Kyung-Ho	504-7720
Director General for Basic Life Security	Kim Tae-Sup	504-6417
Director General for Family Welfare	Jeon Do-Suk	503-7575
Director General for Disabled Persons' Health & Welfare	Kim Chang-Soon	504-1106
Health Policy Bureau	Song Jai-Seong	503-7556
Health Promotion Bureau	Oh Dae-Kyu	503-7537
Pension & Health Insurance Bureau	Kang Yoon-Koo	503-7569
Director General for Oriental Medicine	Chung Kun-Jak	503-7589

Korean Food & Drug Administration
5, Nokbon-dong, Eunpyung-ku, Seoul (122-020)

Commissioner	Huh Keun	382-0184

<u>MINISTRY OF ENVIRONMENT</u>
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Kim Myung Ja	504-9211
Vice Minister	Shim Young-Sup	504-9217
Public Information Officer	Kim Kyu-Eung	504-9220
Planning & Management Office	Kim Dong-Wook	504-9230
International Cooperation Office	Lee In-Su	504-9238
Environmental Policy Office	Park Dae-Moon	504-9236
Nature Conservation Bureau	Ahn Young-Che	504-9281
Air Quality Management Bureau	Kim Sie-Heon	504-9246
Water Quality Management Bureau	Kwak Kyul-Ho	504-9251
Water Supply & Sewage Bureau	Kim Deok-Chee	507-2451
Waste Management & Recycling Bureau	Shim Jae-Kon	504-9258

<u>MINISTRY OF LABOR</u>
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Lee Sang-Yong	503-9700
Vice Minister	Kim Sang-Nam	503-9702
Public Information Officer	Paik Il-Chun	503-9713
Planning & Management Office	Moon Hyung-Nam	503-9704

Employment Policy Office	Kim Jae-Young	503-9774
Director General	Kim Sung-Joong	503-9729
Labor-Management Cooperation Office		
Director General	Kang Eung-Dae	503-9760
International Labor Cooperation Bureau		
Director	Cho Jung-Ho	504-7338
Int'l Labor Policy Division		
Director		
Int'l Negotiation Division	Chang Hwa-Ick	500-5604/5
Director General	Kim Won-Bae	503-9728
Labor Policy Bureau		
Director General	Son Kyong-Ho	503-9740
Labor Standards Bureau		
Director General	Vacancy	504-2051
Industrial Safety & Health Bureau		
Director General	Choi Sung-Oh	503-9741
Women Workers Policy Bureau		

MINISTRY OF CONSTRUCTION AND TRANSPORTATION

1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Lee Kun-Choon	504-9001
Vice Minister	Kang Yoon-Mo	504-9005
Assistant Minister	Cho Woo-Hyun	504-9008
Public Information Officer	Lee Choon-Hee	504-9030
Planning & Management Office	Choo Byung-Jik	504-9010
Transport Policy Office	Jeong Im-Cheon	504-9020
National Development Policy Bureau	Kwon Oh-Chang	504-9110
Land Bureau	Sohn Bong-Kyun	504-9120
Housing & Urban Affairs Bureau	Jeong Lak-Hyeong	504-9120
Surface Transportation Bureau	Kim Jong-Hee	504-9140
Construction & Economy Bureau	Han Hyun-Gue	504-9050
Technology & Safety Bureau	Kim Chang-Se	504-9021
Public Roads Bureau	Park Dong-Hwa	504-9021
Water Resources Bureau	Rhee Wang-Oo	504-9040
Civil Aviation Bureau	Kim Chang-Sup	504-9180

MINISTRY OF MARITIME AFFAIRS AND FISHERIES

826-14, Yeoksam-dong, Kangnam-ku, Seoul (135-080)

Minister	Chung Sang-Chun	554-7111

Vice Minister	Hong Seong-Yong	554-2111

National Maritime Policy Agency
105, Booksung-dong, Choong-ku, Incheon (400-201)

Commissioner	Kim Dae-Won	(032)884-5506

MINISTRY OF EDUCATION
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Minister	Kim Duck-Choong	720-3400
Vice Minister	Lee Won-Woo	720-3265
Public Information Officer	Kim Jung-Ki	739-3053
Planning & Management Office	Kim Suhng-Dong	720-3267
International Cooperation Office	Koh Yong	720-3044
Education Policy & Planning Office	Lee Seung-Moo	735-4420
School Policy Office	Lim dong-Kwon	737-5506
Lifelong Education Bureau	Cha Hyun-Jik	737-4184
Higher Education Support Bureau	Kim Yong-Hyun	720-3303
Local Education Support Bureau	Lee Gi-Woo	720-3477

MINISTRY OF GOVERNMENT ADMINISTRATION AND HOME AFFAIRS
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Minister	Kim Ki-jai	3703-4000
Vice Minister	Kim Heung-Rae	3703-4010
Public Information Officer	Kim Wan-Key	3703-4110
Assistant Minister	Kim Jae-Young	3703-4020
Planning & Management Office	Kim Bum-Il	3703-4030
Protocol & State Council Office	Lee Sung-Yeul	3703-4400
Administrative Management Bureau	Kwon Oh-Ryong	3703-4600
Personnel Bureau	Cho Ki-Ahn	3703-4700
Local Administration Support Bureau	Cho Young-Taek	3703-4800
Local Finance & Tax Bureau	Kim Ji-Soon	3703-4900
Headquarters of Civil Defense & Disaster Management	Kwon Hyung-Shin	3703-4040

National Policy Agency
209, Mikeun-dong, Seodaemoon-ku, Seoul (120-020)

Commissioner General	Kim Kwang-Shik	313-2241

Seoul Metropolitan Police Agency
201-11, Naija-dong, Chongro-ku, Seoul (110-053)

Commissioner	Lee Moo-Young	720-3993

SUPREME COURT
967, Seocho-dong, Seocho-ku, Seoul (137-750)

Chief Justice	Yun Kwan	3480-1201

MINISTRY OF COURT ADMINISTRATION
967, Seocho-dong, Seocho-ku, Seoul (137-750)

Minister	Ahn Yong-Deuk	3480-1201

CONSTITUTIONAL COURT
83, Jae-dong, Chongro-ku, Seoul (110-250)

President	Kim Yong-Joon	766-1530

NATIONAL ASSEMBLY
1-1, Yoido-dong, Youngdeungpo-ku, Seoul (150-701)

Membership (299)	GNP: Grand National Party (135)
	NCNP: National Congress for New Politics (105)
	ULD: United Liberal Democrats (50)
	IND: Independent (4)

Speaker	Park Jyun-Kyu (ULD)	784-0918
Vice Speaker	Kim Bong-Ho (NCNP)	784-0921
Vice Speaker	Shin Sang-Woo (GNP)	784-0931

Chairmen of the National Assembly Standing Committees

House Steering (NCNP)	Sonn Se-Il
Legislation & Judiciary (GNP)	Mok Yo-Sang
Political Affairs (GNP)	Kim Zoong-Wie
Finance & Economy (GNP)	Kim Dong-Wook
Nat'l Unification, Foreign Affairs & Trade (GNP)	Yoo Heung-Soo
Government Administration & Home Affairs (ULD)	Lee Won-Beom

National Defense (ULD)	Han Young-Soo
Education (GNP)	Hahm Jong-Han
Culture & Tourism (NCNP)	Lee Hyup
Agriculture, Forestry, Maritime & Fisheries (NCNP)	Kim Young-Jin
Commerce, Industry & Energy (NCNP)	Seo Seok-Jai
Science, Information & Communication (GNP)	Park Woo-Byong
Environment & Labor (ULD)	Kim Bum-Myung
Health & Social Affairs (GNP)	Kim Chan-Woo
Construction & Transportation (GNP)	Kim Il-Yun
Intelligence (NCNP)	Kim In-Young

Grand National Party (GNP) 783-9811

17-7, Yoido-dong, Yungdeungpo-ku, Seoul (150-010)

President	Lee Hoi-Chang	3786-3101
Honorary President	Cho Soon	3786-3121
Vice President (9)	Choe Byung-Yul	3786-3136
	Kang Chang-Sung	
	Lee Woo-Jae	
	Yang Jung-Kyu	
	Park Kwan-Yong	
	Kim Deog-Ryong	
	Kwon Ik-Hyun	
	Kim Yung-Koo	
	Park Keun-Hae	
Secretary General	Shin Kyung-Shik	3786-3171
Floor Leader	Lee Bu-Yung	3786-3186
Chief Policy Maker	Lee Sang-Deuk	3786-3181
Chief Secretary to the President	Ha Soon-Bong	3786-3201
Spokesman	Ahn Taik-Soo	3786-3226

National Congress for New Politics (NCNP) 784-7007

14-31, Yoido-dong, Youngdeungpo-ku, Seoul (150-010)

President	Kim Young-Bae	784-2855
Secretary General	Chung Kyun-Hwan	784-2856
Floor Leader	Sonn Se-Il	788-2222
Chief Policy Maker	Chang Yung-Chul	784-2942

Chief Secretary to the President	Yoo Jay-Kun	784-9393
Spokesman	Lee Young-Il	784-7311

United Liberal Democrats (ULD) 701-3355
103-4, Shinsoo-dong, Mapo-ku, Seoul (121-110)

President	Park Tae-Joon	707-7871
Honorary President	Kim Jong-Pil	707-1961
Secretary General	Kim Hyun-Uk	707-1638
Floor Leader	Kang Chang-Hee	706-8612
Chief Policy Maker	Cha Soo-Myung	707-1965
Chief Secretary to the President	Cho Young-Jang	707-1964
Chief Secretary to the Honorary President	Lee Soo-Young	707-1961
Spokesman	Lee Yang-Hi	706-8969

CHAPTER XII: Market Research and Trade Events

Appendix F: Market Research

Proposed Industry Sector Analysis (ISA) report list to be completed by the U.S. Department of Commerce (The Commercial Service of the U.S. Embassy Seoul), and Agricultural Commodity Reports completed by the Department of Agriculture (Foreign Agricultural Services at the U.S. Embassy Seoul).

List of Department of Commerce Industry Sector Analysis (ISA Reports for FY99)

Title of ISA Report **Expected Completion Date**

Note: The proposed list of topics is subject to change.

TXF	Textiles – High Tech Fabrics	30 June 1999
POL	River Cleanup Projects - Update	31 Mar. 1999
SEC	Geographical Information System (GIS)	30 June 1999
GSV	Multi-Level Marketing	30 June 1999
ELC	Semiconductor Equipment	30 June 1999
ACE	Architectural/Engineering Services	30 June 1999
CSF	Computer-Aided-Design/Computer Aided Manufacturing (CAD/CAM Software)	30 June 1999
ELP	Thermal Power Generation Equipment	30 June 1999
HCG	Health Insurance Services	30 June 1999
CON	Construction Equipment – Crane	30 Sept. 1999
AUT	Automotive Aftermarket – Accessories	30 June 1999
ADV	Advertising Services	30 Sept. 1999
MED	Electro-Diagnostic Imaging Equipment	30 June 1999
LAB	Chromotography	14 Apr. 1999
MTL	Computer Numerical Control (CNC) Systems	08 Dec-1998

Title of ISA Report **Expected Completion Date**
(ISA Reports for FY2000)

Airport and ground support equipment	APG	30. Jun. 2000
Distribution service	TRN	30. Mar. 2000
Mobile phone services	TES	31. Mar. 2000
PC storage devices	CPT	30. Jun. 2000
Specialty chemical manufacturing		

technology services	CHM	30. Jun. 2000
Iron & steel industry	IRN	30. Sep. 2000
Digital TV Equipment	TEL	30. Jun. 2000
Frozen Processed Food Market in Korea	FOD	30. Jun. 2000
Cosmetics	COS	30. Sep. 2000
Textiles	TXF	30. Sep. 2000
Flooring Materials (Residential/Commercial)	BLD	30. Jun. 2000
Hand and Power Tools	TLS	30. Sep. 2000
Defense and Dual Use Opportunities	DFN	31. Jul. 2000
Shipbuilding Industry	PRT	30. Sep. 2000
Electric Power Transmission & Distribution Equipment	ELP	31. Mar. 2000
Renewable Energy Power Generation Market	REQ	30. Sep. 2000

List of Agricultural Commodity Reports/Cables	**Due Date 1999**
Livestock Semi-Annual	02/01
Oilseed Annual	02/26
Grain and Feed Annual	04/01
Sugar Annual	04/09
Citrus Semi	04/30
Tobacco Annual	04/30
Cotton Annual	07/01
Annual Marketing Plan	**07/15**
Forest Production Annual	07/15
Livestock Annual	07/31
Poultry Annual	08/13
Competitor Report	**09/30**
Seafood Annual	10/01
Citrus Annual	10/29
Planting Seeds Annual	11/13

Product Specific Market Briefs — **Released Periodically**

Product (last updated)
Grapes (June 1996)
Dairy (June 1996)
Fresh Potatoes (August 1996)
Fruit & Vegetable Juice (November 1996)
Cheese (January 1997)

Kiwifruit (February 1997)
Retail (March 1997)
Beef Jerky (April 1997)
Monkfish (May 1997)
Wine (May 1997)
Onions (July 1997)
Garlic & Red Pepper (September 1997)
Apples (October 1997)
Seafood (November 1997)
Korean Financial Crisis on US Food & Beverage (December 1997)

ATO Round Table on Korean Financial Crisis:
Impact on Food and Beverage Industry (January 1998)
Coffee (April 1998)
Beer (May 1998)
Distribution of Food & Agricultural Products (June 1998)
Food Ingredients (July 1998)
Frozen Vegetables (July 1998)
Frozen Fruit (March 1999)

Appendix G: Trade Event Schedule

CS Korea Trade Event Schedule FY 2000

A. 1. Korea Electronics Show '99
2. October 7-11, 1999

B. 1. The Eleventh KORMARINE Shipbuilding Machinery and Products Exhibition
2. October 26-29, 1999

C. 1. Seoul Air Show
2. Dates (TBD, but probably in October 2000 or October 2001)

D. 1. Spring Weddex 2000
2. February TBD, 2000

E. 1. The Seventh Annual Korea Study USA Exhibition and Seminar (Study USA 2000) (in cooperation with Korea Student Fair - TBD)
2. March 7-9, 2000 for Seoul; March 11, 2000 for Pusan

F. 1. U.S. Pavilion at Seoul International Book Fair (SIBF 2000)
   2. May 30 - June 3, 2000

G. 1. U.S. Pavilion at ENVEX
   2. Mid-June, 2000 (exact dates TBD)

H. 1. The 13th Korea World Travel Fair (KOTFA 2000)
   2. June TBD, 2000

ATO Trade Event Schedule FY 2000

A. 1. The Great American Food Show
   2. March 14 - 16, 2000